19 September 2023

HENRY BOOT PLC

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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

A resilient operational performance driven by land promotion disposals and property development completions, despite economic headwinds

Henry Boot PLC, a Company engaged in land promotion, property investment and development, and construction, announces its unaudited interim results for the six months ended 30 June 2023.

Tim Roberts, Chief Executive Officer, commented:

"*The first half of the year has seen our markets slow as interest rates have continued to rise, but, as these results show, our focus on prime strategic sites, high quality development and premium homes has provided us with a degree of resilience. This has helped us to report a very respectable underlying profit before tax of £23.3m, an increase in NAV of 3%, plus the confidence to grow our interim dividend by 10%.*

Whilst uncertainty in our markets has increased, we believe we have enough momentum to carry us through the year, although the outlook for 2024 for the time being is not so clear. However, we have conviction in our three markets which are driven by structural trends and I am pleased to report that we remain on track to hit our strategic growth and return targets over the medium term."

Financial highlights

- 24.5% increase in revenue to £179.8m (June 2022: £144.4m) driven by land disposals and housing completions
- Underlying profit before tax[1] of £23.3m (June 2022: £37.8m) or £25.0m (June 2022: £38.8m) on a statutory basis, supported by the resilient performance of residential land sales and industrial development activity
- ROCE[2] of 6.3% (June 2022: 10.1%), expected to be around the lower end of our medium-term target of 10%–15% by the year-end
- NAV[3] per share is up by 2.6% to 303p (December 2022: 295p), due to robust operational performance. Excluding the defined benefit pension scheme surplus, the NAV per share showed an underlying increase of 2.9% to 298p (December 2022: 291p)
- Strong balance sheet, with net debt[4] of £70.8m (December 2022: £48.6m) reflecting continued investment in committed developments and a decision to limit further acquisitions. Gearing remains within our optimal stated range of 10%-20% at 17.5% (December 2022: 12.3%)
- EPS of 14.0p (June 2022: 24.1p); Interim dividend of 2.93p declared (June 2022: 2.66p), an increase of 10%, reflecting the Group's resilient operational performance and progressive dividend policy

Operational highlights

- £129.3m of property sales led by our land promotion, development and housebuilding businesses, despite weakening markets. Only £3.9m of acquisitions. £22.1m of investment in our high quality committed development programme where costs are 98% fixed
- Land promotion

- 1,900 plots sold (June 2022: 3,447), increased profit per plot to £11,400 (December 2022: £6,066) due to significant sale at Tonbridge, offsetting the volume reduction
- The total land bank has grown to 97,095 plots (December 2022: 95,704 plots)
- 8,335 plots with planning permission (December 2022: 9,431), all held at cost

- Property investment & development
  - High quality committed development programme of £186m, with 52% pre-sold or pre-let
  - c.700,000 sq ft of Industrial & Logistics development underway (HB share: £96m GDV)
  - £1.5bn development pipeline (HB share £1.26bn GDV), 62% of which is focused on Industrial & Logistics markets, where occupier demand remains robust
  - The investment portfolio value increased to £112m (December 2022: £106m). Total return of 3.3% continues to be ahead of the CBRE index for the six months to June 2023
  - £11.1m post H1 23 investment sales, including Banner Cross Hall our Head Office, at a combined 19% above book value
  - Stonebridge Homes during H1 sold 99 units (30 June 2022: 39 units) and at the end of August has secured 97% of its annual sales target of 250 units for 2023, with a total owned and controlled land bank at 997 plots (December 2022: 1,094 plots) keeping us on track to scale up this business

- Construction
  - The construction segment achieved turnover of £56.2m (June 2022: £66.5m) in a challenging market
  - Henry Boot Construction remains focused on delivering its current projects with 72% of its 2023 target order book secured following delays in bringing activity to site as customers proceed cautiously

- Responsible Business
  - Making good progress against our Responsible Business Strategy targets set in January 2022, with the launch of our Health and Wellbeing programme and continued progress in achieving our GHG emissions target to support reaching NZC by 2030

NOTES:

[1] Underlying profit before tax is an alternative performance measure (APM) and is defined as profit before tax excluding revaluation movements on completed investment properties. Revaluation movement on completed investment properties includes gains of £1.4m (2022: £1.0m gain) on wholly owned completed investment property and gains of £0.3m (2022: £0.6m gains) on completed investment property held in joint ventures. This APM provides the users with a measure that excludes specific external factors beyond management's controls and reflects the Group's underlying results. This measure is used in the business in appraising senior management performance

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

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

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

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

Participants (UK):	Tel: +44 (0) 33 0551 0200
Password:	Henry Boot
Webcast link:	https://stream.brrmedia.co.uk/broadcast/64b59edbedb1b705b3cdcddd

About Henry Boot PLC

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

Land Promotion:
Hallam Land Management Limited

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

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

www.henryboot.co.uk

CEO Review

Henry Boot traded in line with the Board's expectations over the half year, achieving an underlying profit before tax of £23.3m (June 2022: £37.8m), or £25.0m (June 2022: £38.8m) on a statutory basis. Our expectations for the full year remain in line with market consensus*. The Group's balance sheet remains strong, with NAV per share increasing by 2.6% to 303p (Dec 2022: 295p), or by 2.9% to 298p (Dec 2022: 291p) excluding the defined benefit pension scheme surplus. Whilst the first half of the year has been impacted by continued economic uncertainty, principally as a result of persistent inflation and rising interest rates, we have delivered a resilient performance, completing £129.3m of sales within our land promotion, development and housebuilding businesses. Acquisitions have only been £3.9m.

According to JLL, in H1 23 the volume of UK commercial property transactions has slowed markedly to £14.2bn, down 53% on the same period in 2022. Much of the reduction has been driven by fewer large deals with demand remaining more resilient in those sectors benefiting from rental growth such as Industrial & Logistics (I&L) and build to rent (BtR), both are sectors that we focus on. House prices have been more resilient than many commentators predicted having reduced by 1.2% during the six months to June according to Nationwide and are now 5.3% below the peak in August 2022. Reductions in the price of new homes have generally been smaller than this. Whilst strategic land sale volumes have reduced housebuilders continue to selectively acquire land, with an emphasis on sites in prime locations which remains a focal point for our land promotion business. In support of this, we currently have nine sites under offer to housebuilders.

With this backdrop in mind, we have had a good six months, supported by the resilience of our three long-term markets, I&L, Residential and Urban Development. In the half-year:

- Hallam Land Management (HLM) disposed of 1,900 plots (June 2022: 3,447 plots). Although plots sold in the period has decreased, we have increased profit per plot to £11,400 (December 2022: £6,066), offsetting the volume reduction. This was due to a significant and very profitable freehold sale at Tonbridge, which has shown an ungeared internal rate of return of 27% p.a. HLM continue to receive selective bids for its land, especially on smaller prime sites from national and regional housebuilders. The total land bank has grown to 97,095 plots (December 2022: 95,704 plots), of which 8,335 plots have planning permission.
- HBD completed on a total Gross Development Value (GDV) of £70m (HBD share) – of which 100% has been pre-let/ pre-sold with a committed development programme of £186m GDV (HBD share) – 52% of which is pre-let or pre-sold. The part which is not pre-let/ pre-sold comprises three high quality schemes; Island our NZC office scheme in the heart of Manchester; Setl which offers premium apartments in the Jewellery Quarter in the centre of Birmingham and; Momentum an NZC I&L scheme in Rainham serving Greater London. All three complete at various times in 2024 and we continue to expect good customer interest. To replenish the committed development programme, we have a number of I&L schemes which we are looking to commit to providing we can appropriately manage risk through pre-letting or forward sales.
- Stonebridge Homes (SH) secured 88% of its 250-unit sales target for this year during H1 23, achieving a slightly reduced sales rate of 0.48 houses per week per outlet, alongside a firm average selling price of £499,000. Post half-year, we have secured a further 21 units, achieving a sales rate of 0.52 houses per week per outlet in the months from July to August. This takes us to 97% secured for the year. Despite a slower market, price against budget has up to the end of August been running at plus 0.8%. We believe this is due to the high quality of our homes and the prime locations of our sites.
- Henry Boot Construction (HBC) has experienced challenging trading conditions with industry wide supply constraints and subcontractor and material availability issues giving rise to delays and budget challenges on two of its largest projects - the £47m BtR residential scheme Kangaroo Works in Sheffield and Block H, the £42m urban development scheme also in Sheffield. The £47m Cocoa Works, York, remains on time and budget.

Despite low economic growth and slowing markets, we have maintained our strategic ambition to grow and are still looking to invest into prime opportunities. Rightly, we have been cautious during H1 23 towards acquisitions, with our main focus on investment in building out HBD's committed development programme. Investment in this area totals £22.1m, with a further £3.9m made on land purchases for both HLM and SH's land bank.

We have also continued to invest in other strategic objectives that support our long-term ambitions. For our people, we have launched a refreshed reward strategy which offers more clarity on career progression and remuneration, and we continue to invest in modernising both digital and technology capabilities and our marketing and customer relationship functions.

An example of this, is our imminent head office relocation to the Isaac's Building in Sheffield city centre. The building offers strong ESG credentials and will provide our people with a more open and collaborative workspace. In regard to Banner Cross Hall, our current head office, after receiving strong interest, we have completed the sale of the building, retaining a short-term lease on the premises until we relocate. The buyer intends to refurbish the Hall primarily into serviced office space.

Overall, these investments have resulted in our gearing increasing to 17.5%, which is still within our stated optimal range of 10%-20%. Whilst the Group's £105m banking facility runs until January 2025 we have already had positive conversations with our existing lenders about its renewal and expect to agree terms during Q4 23, with an aim to have renewed facilities in place in Q2 24.

**Market expectations being the average of current analyst consensus of £37.8m profit before tax, comprising three forecasts from Numis, Peel Hunt and Panmure Gordon.*

Dividend

The Board has declared an interim dividend of 2.93p (June 2022: 2.66p), an increase of 10%, which reflects our progressive dividend policy. This will be paid on 13 October 2023 to shareholders on the register at the close of business on 29 September 2023.

Strategy

The Group set a medium-term strategy in 2021 to grow the size of the business by increasing capital employed by 40% focusing on its three key markets: I&L, Residential and Urban Development, whilst maintaining ROCE within a 10-15% range. Since setting this strategy, we have successfully grown our capital employed by 13% to £413m. Good progress has been made against our stated medium-term targets as set out below:

Measure	Medium term target	H1 23 Performance	Progress
Capital employed	To over £500m	£413m as at 30 June 2023	On track to grow capital employed to over £500m
Return on average capital employed	10-15% pa	6.3% in H1 23	We maintain our aim to be within the target range for FY23
Land promotion plot sales	c.3,500 pa	1,900 plots in H1 23	The running five year average has increased to 3,175 plots pa. So, we remain on track to achieve our medium-term target.
Development completions	Our share c.£200m pa	Our share: £70m in H1 23, with committed programme of £186m for 2023	We are on course to carry on growing our completed developments to £200m pa as we look to draw down on our future pipeline of £1.26bn.
Grow investment portfolio	To around £150m	£112m as at 30 June 2023	Value increased primarily due to retained I&L developments. We have made accretive tactical sales and will be patient building the portfolio back up to its target.
Stonebridge Homes sales	Up to 600 units pa	99 homes completed in H1 23, out of a	Already looking to expand our annual target in 2024,

		delivery target of 250 homes	in line with overall strategic objective of 600 units.
Construction order book secured	Minimum of 65% for the following year	18% at H1 23 for 2024	Difficult market conditions impacting order book for 2024. In response, the opportunity pipeline has been refocused, with £85m PCSA's in progress.

Responsible Business

We launched our Responsible Business Strategy in January 2022, with our primary aim to be NZC by 2030 with respect to Scopes 1 & 2. I am pleased with the progress we have made so far against our 2025 objectives and targets. Our strategy 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 our 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.

18-month performance against our 2025 target

Our People	Performance	**Our Places**	Performance
Develop and deliver a Group-wide Health and Wellbeing Strategy	The Health and Wellbeing Strategy and Programme was launched to the Group in February 2023 with a range of resources, activities and guidance delivered throughout 2023.	Contribute £1,000,000 of financial (and equivalent) value to our charitable partners	We contributed (financial and equivalent value of) over £400,000 to our charitable and community partners.
Increase gender representation in the business, aiming for 30% of our team and line managers being female	We have made progress, with female representation across our workforce increasing to 27% (2022: 26%).	Contribute 7,500 volunteering hours to a range of community, charity, and education projects	More than 3,500 volunteering hours have been delivered.
Our Planet	Performance	**Our Partners**	Performance
Reduce Scope 1 and 2 GHG emissions by over 20% to support reaching NZC by 2030	Total direct GHG emissions (Scopes 1 and 2) in 2022 were 2,930 tonnes which equates to a 12% reduction from the 2019 baseline. Remain on course to achieve the	Pay all of our suppliers the real living wage and secure accreditation with the Living Wage Foundation	The Living Wage Foundation has been engaged and a review is currently being undertaken of the requirements to secure membership.

	decarbonisation trajectory.		
Reduce consumption of avoidable plastic by 50%	Sustainability audits completed and a reduction action plan is in development.	Collaborate with all our partners to reduce our environmental impact	We continue to engage with membership organisations (including Yorkshire Climate Action Coalition and the UK Green Building Council) and our supply chain to share knowledge and best practice.

The Group is also committed to ensuring that all the properties within the investment portfolio have a minimum EPC rating of 'C'. Currently 73% (December 2022: 70%) of these properties have a rating of 'C' or higher, of which 45% (December 2022: 39%) of the total portfolio are rated 'A-B'. The majority of the remaining 27% of the portfolio that are currently below a 'C' rating, have redevelopment potential with a target range of 'A' or 'B'.

Outlook

There is no doubt that the rapid increase in short term rates is slowing the economy, reducing customer demand across our markets, and putting pressure, not least due to the funding costs, on the viability of residential and commercial schemes. As its designed to do, tighter monetary policy is curbing cost pressures, and we have seen the rate of inflation come down throughout the Group with the prospect of more to come by the year end giving us a degree of confidence in being able to achieve our current year ambitions. Henry Boot is not immune to these pressures, but its focus on high quality real estate and customer care affords us some resilience:

- HLM promotes high quality, significant sites, with the majority in the South of England, and c.24,000 plots around the golden growth triangle demarked by London, Cambridge and Oxford. Whilst uncertainty around the timing of disposals has increased over the short-term we have no doubt that the structural demand for homes in the UK will continue to outstrip supply and that these sites will be in demand from housebuilders.
- HBD delivers institutional quality development in and around the major regional cities and the main road networks, offering high ESG credentials. 64% of its speculative committed development is NZC. The majority of our pipeline is industrial where structural occupier demand endures.
- SH builds premium homes, in affluent locations, and over the year whilst it's been harder work to sell, as mortgage rates and uncertainty have increased, sales rates have remained resilient. By the end of August, in effect, 97% of this year's target has been sold and we have increased overall volume by 43%, in line with our ambition to scale up this business.

Our balance sheet offers the same quality and resilience, with development and land promotion opportunities held at the lower of cost or value whilst gearing is managed over the cycle at between 10-20%. Our NAV has shown consistent growth through cycles. This allows us to invest in opportunities, such as land, both to promote in the medium term and to build houses as we scale up SH. It also allows us to build out our high quality committed development programme.

We have confidence in the long-term fundamentals of our market, supported by our people and their skillsets, plus the financial resources to meet the business's strategic growth and return ambitions.

Business Review

Land Promotion

HLM had a good first half, achieving an operating profit of £17.0m (June 2022: £17.2m) from selling 1,900 plots (June 2022: 3,447 plots). Although the number of plots sold in the year has decreased, average gross profit per plot increased to £11,400 (December 2022: £6,066) due primarily to a significant freehold sale of land at Tonbridge, Kent, offsetting the volume reduction.

UK greenfield land values decreased by 2.8% in the six months to June 2023 according to Savills Research. Transactions slowed significantly relative to the same period in 2022, with downward pressures on land values reflecting many housebuilders more modest new build sales rates. However, with 17% fewer homes granted planning consent in H1 23 compared to the same period in 2022, the reduction in land supply coming forward has resulted in selective demand for prime deliverable sites.

HLM's land bank has grown to 97,095 plots (December 2022: 95,704 plots), of which 8,335 plots (December 2022: 9,431 plots) have planning permission (or Resolution to Grant subject to S106). The decrease in plots with planning permission reflects the continued delays in the planning system due to a growing number of complexities. One such complexity is the emerging Draft National Planning Guidance, which looks to be slowing down local authority development plan making and planning application determination with 58 development plans having been withdrawn or paused since the December 2022 announcements. Notwithstanding this, HLM has gained planning permission on 804 plots over H1 23, which is a significant increase from the 435 plots granted in 2022. During the period, there were 689 plots submitted for planning, taking the total plots awaiting determination to 12,182 (December 2022: 12,297 plots).

HLM's land bank remains well positioned to benefit from the delays and complexities in the planning system due to the high levels of stock both with planning and awaiting determination, and the team's specialist skill set and its strategically placed regional coverage. Despite the challenges, the number of plots in the portfolio continues to increase, giving us confidence in the medium term that our stock levels with planning will return to similar levels seen in previous years.

There is significant latent value in the Group's strategic land portfolio, which is held as inventory at the lower of cost or net realisable value. As such, no uplift in value is recognised within our accounts relating to any of the 8,335 plots with planning, and any increase in value created from securing planning permission will only be recognised on disposal.

Residential Land Plots

	With permission				**In planning**	**Future**	**Total**
	b/f	**granted**	**sold**	**c/f**			
2023	9,431	804	(1,900)	8,335	12,182	76,578	97,095
2022	12,865	435	(3,869)	9,431	12,297	73,976	95,704
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

- In relation to significant schemes:
  - At Tonbridge, Kent, we concluded an agreement for the sale of 125 plots to national housebuilder Cala Homes. The site was originally contracted under option in 2004, with the freehold subsequently purchased by HLM in 2021. The scheme includes additional community benefits such as new cycle and pedestrian links to a local railway station and a contribution to improved public transport infrastructure. The sale will complete in two phases across 2023 (81 plots) and 2024 (44 plots). The final completion will result in an ungeared internal rate of return of 27% p.a in 2024.
  - At Pickford Gate, Coventry (formerly known as Eastern Green), a 2,400 plot site, a 250 plot sale concluded to the Vistry Group in April. Marketing will commence for the next tranche in September, which will comprise up to 1,000 plots.
  - At Swindon, the 2,000-plot site with outline consent that is being promoted through an option agreement jointly held with Taylor Wimpey (TW), as previously reported, terms for acquisition were nearly settled

with the landowners, but stalled due to the market disruption in Q4 2022. Alongside TW, HLM is now working to exchange on the purchase later this year, with completion expected to fall into 2024.

Property Investment and Development

Property Investment and Development, which includes HBD and Stonebridge Homes, delivered a combined operating profit of £8.5m (June 2022: £19.6m).

According to the CBRE Monthly Index, commercial property values declined by 0.4% in the six months to June 2023. Industrial property was the best performing sector with values up 1.4% during the first half of the year ahead of retail up 1.0%, whilst offices declined by 3.5%. The rate of yield expansion has slowed during 2023 following the significant capital value correction in the second half of 2022. Industrial continues to deliver the highest rental growth at 3.2% in six months to June 2023. Whilst take up has slowed from record levels during the pandemic, occupier demand is proving resilient due to the longer-term structural drivers and limited supply of high-quality space. At the same time the outlook for BtR remains positive with rental growth for multifamily assets of 8.2% in the year to March 2023 according to CBRE driven by continued strong demand and a lack of available units.

HBD completed on two developments with a total GDV of £70m (HBD share), with 100% of these either sold or let:

- Completed on a £54m (GDV) I&L scheme, Power Park, located on the former Imperial Tobacco plant in Nottingham. The 426,000 sq ft scheme, comprising seven units, was pre-sold to Oxenwood Logistics Fund, on a forward funding basis in 2021. Each of the seven units meet BREEAM “Very Good” standards.
- Completed an 85,000 sq. ft. building at the 83-acre Butterfield Business Park in Luton, Bedfordshire. The £16m (GDV) unit was pre-let to Shoal Group, an electrical component supplier, and has been retained within the investment portfolio.

The committed development programme now totals a GDV of £341m (HBD share: £186m GDV) of which 52% is currently pre-let or pre-sold, with 98% of the development costs fixed.

2023 Committed Programme

Scheme	GDV (£m)	HBD Share of GDV (£m)	Commercial (‘000 sq ft)	Residential Size (Units)	Status	Completion
Industrial						
Rainham, Momentum	120	24	380	–	Speculative	Q1 24
Southend, Ipeco2 and Cama,	20	20	156	–	Pre-Sold	Q1 24
Walsall, SPARK Remediation	37	37	–	–	Forward funded	Q2 24
Preston, East DPD & DHL	30	15	150	–	Pre-let and forward funded	Q4 23
	207	96	686	–		
Urban Residential						
Birmingham, Setl	32	32	–	102	Speculative	Q1 24
York, TDT	22	22	54	–	Pre-sold	Q3 23
Aberdeen, Bridge of Don	12	1	–	TBC	Under-offer	Q2 24
Aberdeen, Cloverhill	2	2	–	500	Pre-sold and DM fee	Q4 23
	68	57	54	602		
Urban Commercial						
Manchester, Island	66	33	91	–	Speculative	Q3 24

Total for the Year	**341**	**186**	**831**	**602**
% sold or pre-let (incl Island)	**36%**	**52%**		

Within the committed programme there is currently nearly 700,000 sq ft of I&L space (HBD share: £96m GDV), a total of 602 urban residential units (HBD share: £57m GDV) and 91,000 sq ft of commercial space (HBD share: £33m GDV). In this regard:

- Two freehold Design and Build transactions, at HBDs 52 acre I&L scheme in Southend, Essex, have been added and agreed at a total price of £20m and a combined c.156,000 sq ft of warehouse space. A 129,000 sq ft headquarters facility will be developed for Ipeco Holdings, the world leader in aircraft seating. CAMA Asset Store, specialists in sustainable storage for the creative industries, will take occupation of a 27,600 sq ft warehouse facility with ancillary office accommodation.
- SETL, the 102 premium apartment scheme in Birmingham, is on track to complete in Q1 24 and marketing of selective apartments will start shortly with the remainder to be sold post PC during 2024. Although the market has slowed, the aim is to achieve sales in line with our stated £32m GDV.
- At Momentum, Rainham (in an 80:20 JV with Barings) a 380,000 sq ft speculative I&L development targeting NZC serving Greater London, is ahead of building schedule and is now targeting completion in Q1 24. Marketing of the scheme is underway and is attracting encouraging occupier interest.
- HBD and Greater Manchester Pension Fund are working in a 50:50 JV to deliver 91,000 sq ft of NZC offices within Manchester City Centre. Island will include 12,500 sq ft of amenity areas including social, meeting and event spaces and a communal roof terrace. The scheme is on track to be completed in Q3 24 and is again generating occupier interest.
- Post half-year, HBD has completed The Disabilities Trust, York (HBD share: £22m GDV), a 54,000 sq ft scheme with state of the art care facilities. The building is low carbon and has achieved BREEAM 'Excellent' rating. This is the fourth phase of our highly successful Chocolate Works development, in York.
- HBD are looking to replenish the programme by committing to further schemes such as the development of I&L schemes at Walsall Spark, Roman Way, Preston and Welwyn, subject to demand and viability.

HBD's total development pipeline has been maintained at a GDV of £1.5bn (HBD share: £1.26bn GDV). All of these opportunities sit within the Company's three key markets of I&L (62%), Urban Commercial (21%) and Urban Residential (17%). Significant schemes include:

- At Golden Valley, Cheltenham, HBD continues preparations to submit a planning application for the first phase of the scheme (HBD share: £50m GDV), with the council signing off the Funding Agreement in Q3 2023. The scheme comprises a mixed-use campus clustered around 150,000 sq ft of innovation space.
- At Neighbourhood, Birmingham (HBD share: £140m GDV), after securing planning approval for a 414-unit BtR development, HBD are continuing preparatory works but have delayed seeking funding until the new year.

The total value of the investment portfolio (including share of properties held in JVs) has increased to £112m (December 2022: £106m). Following the significant repricing of UK commercial real estate in Q4 2022, capital values have stabilised in the first six months of 2023 with an underlying valuation increase of 0.8% for the investment portfolio, principally as a result of the growth in rental values for I&L assets with the equivalent yield unchanged at 6.2%. The total property return of 3.3% for the six months to June 2023, was ahead of the return from the CBRE UK Monthly Index (2.5%). During the period occupancy increased to 89% (December 2022: 88%) with the weighted average unexpired lease term now 10.6 years (8.9 years to first break).

Post half year, the Group has also completed four sales of smaller assets for a total of £11.1m including Banner Cross Hall, at an average 19% premium to December 2022 valuation.

The UK housing market remained subdued during H1 23 as homebuyer demand continued to be impacted by higher mortgage rates. According to Nationwide UK house prices decreased by 1.2% during the six months to June and are now 5.3% below the August 2022 peak. Whilst higher mortgage rates are suppressing activity with monthly housing transactions around 15% below pre-pandemic levels unemployment is expected to remain low by historic standards which should provide some support to house prices.

Against this backdrop demand for housing has remained resilient, with pricing remaining firm, leaving SH still on track to meet its annual sales target having secured 88% (144 private/77 social) of its 2023 delivery target of 250 units at 30 June. The average selling price for private units to 30 June is £499k (June 2022: £512k) alongside an average sales rate of 0.48 (June 2022: 0.6) units per week per outlet, for private houses (PH), in line with target. Sales prices achieved were 1.2% above budget whilst build cost inflation has started to moderate, reducing from c.10% in 2022 to 8% currently. Negotiations with suppliers and subcontractors are ongoing and are likely to lead to further falls in cost inflation.

Post H1 23, SH have secured an additional 21 units (PH) taking them to 97% (164 private/78 social) secured for the year, meaning only a further eight units (PH) need to be secured between 1 September and the end of October to achieve its annual sales target. The year to date sales rate achieved to the end of August was 0.49 houses per week per outlet.

SH total owned and controlled land bank comprises 997 plots (June 2022: 1,164) of which 775 plots have detailed or outline planning and has 2.21 years supply based on a one-year rolling forward sales forecast for land with planning or 2.38 years for its full land bank. SH have a number of sites where terms are agreed in order to grow its land bank in line with stated scale up plans. However, the business is being patient in negotiations, in light of the slowing house sales market and the more subdued land market.

The strategic objective of growing the business to achieve 600 completions per annum over the medium term remains on track.

<u>Construction</u>

Trading in the Group's construction segment has been below expectations in H1 23, achieving an operating profit of £4.4m (2022: £6.3m).

UK construction activity slowed during the first half of 2023, with monthly output increasing by 1.0% following the strong increase of 6.2% in 2022. All new work decreased by 2.1% with the most significant reduction of 6.7% for private housing. Construction output in June 2023 was 7.3% above the February 2020 pre-CV-19 level.

HBC is trading below management's expectations, having experienced difficult operating conditions in line with the UK construction market. The slowdown in UK construction has resulted in HBC securing only 72% of its turnover for 2023 (94% of its costs have fixed price orders placed or contractual inflation clauses) and has experienced several delays on Pre-Construction Services Agreements (PCSAs). However, there is a healthy pipeline of opportunities that HBC is actively pursuing, with a target of £85m PCSA's across urban development and residential opportunities.

Despite both schemes suffering delays, subcontractor and material availability issues, the Kangaroo Works, a £47m BtR scheme, completed in August 2023, with the Heart of the City, Sheffield Block H, a £42m urban development scheme, due to complete in phases between August and October 2023. The Cocoa Works, a £47m residential development in York, remains on time and to budget.

Banner Plant is trading slightly below expectations, seeing a slight reduction in demand in line with the wider slowdown in construction activity. The business has refocused on core hire products and cost management. Road Link is performing in line with management expectations.

<u>FINANCIAL REVIEW</u>

Consolidated statement of comprehensive income

Group revenue for the period increased by 24.5% to £179.8m (30 June 2022: £144.4m) as the Land Promotion business completed additional freehold sales and Stonebridge continued to grow completions, achieving 99 unit sales in H1 (30 June 2022: 39 unit sales). The Group continued to generate strong revenues from property development activity and construction work during the period.

Gross profit was slightly below that of the prior period at £40.8m (30 June 2022: £43.9m) and shows the ongoing resilience of the Group despite challenging market conditions. Other income of £4.8m relates to a legal settlement on a property development contract completed in 2016. Administrative expenses (excluding pension costs) increased by £2.2m (30 June 2022: increased £2.5m) reflecting the current and future growth ambitions of the business, and includes investment in our people, systems, marketing and ESG.

Fair value of investment properties increased by £0.6m (30 June 2022: increase £3.4m) with Group assets continuing to outperform the CBRE index. Profits on sale of investment properties were £0.1m (30 June 2022: £nil). The Group's share of profit from joint ventures and associates was £0.2m (30 June 2022: £10.4m), including investment property valuation gains of £0.3m (30 June 2022: £0.6m), the prior year included an individually significant disposal of a residential site in Aberdeen.

Property revaluation gains/(loss)	**H1 23 £'m**	H1 22 £'m	2022 £'m
Wholly owned investment property:			
- Completed investment property	**1.4**	1.0	(7.3)
- Investment property in the course of construction	**(0.8)**	2.4	2.4
	0.6	3.4	(4.9)
Joint ventures and associates:			
- Completed investment property	**0.3**	0.6	(3.2)
- Investment property in the course of construction	**—**	—	—
	0.3	0.6	(3.2)
	0.9	4.0	(8.2)

This results in a 34% reduction in operating profit to £25.7m (30 June 2022: £39.1m) which generated an underlying profit before tax[1] of £23.3m or £25.0m on a statutory basis (30 June 2022: £37.8m underlying or £38.8m statutory), which remains a robust result given current market conditions. Earnings per share followed, reducing to 14.0p (30 June 2022: 24.1p).

Return on capital employed

Lower operating profits in the period resulted in a decreased return on capital employed (ROCE) of 6.3% over a six-month period (30 June 2022: 10.1%). Over a 12-month period we continue to believe a target return of 10-15% is appropriate for our current operating model, although in current market conditions we would expect to be at the lower end of this range.

Finance and gearing

Financing costs were £2.5m (30 June 2022: £0.9m) reflecting the impact of rising interest rates on borrowings. This is partially offset by finance income of £1.8m (30 June 2022: £0.5m) as an element of financing costs are recovered through our joint venture arrangements.

At 30 June 2023, net debt was £70.8m (31 December 2022: £48.6m). This reflects an increase in deferred land sale receipts as well as continued investment in strategic land, property development and our growing housebuilder.

Gearing levels have increased to 17.5% (31 December 2022: 12.3%) and remain within our preferred operating range of 10%-20%. We remain selective on new investments in an uncertain market but ready to react to any compelling opportunities that might arise.

Cash flows

Operating cash inflows before movements in working capital were £22.0m (30 June 2022: £23.4m).

Working capital requirements have increased as a result of land transactions on deferred payment terms and from investment in inventory, resulting in working capital outflows of £15.8m (30 June 2022: £22.9m outflow) which, in turn, meant that operations generated funds of £6.1m (30 June 2022: £0.5m). After interest paid of £1.9m (30 June 2022: £0.5m) and tax paid of £0.9m (30 June 2022: £1.0m) net cash inflows from operating activities were £3.3m (30 June 2022: £1.1m outflows).

Including expenditure on investment properties of £7.0m (30 June 2022: £0.3m) and advances to joint ventures and associates of £6.8m (30 June 2022: £2.1m), net cash outflows from investing activities were £12.3m (30 June 2022: £7.8m inflow).

The final dividend on ordinary shares for 2022 increased by 10% to £5.3m (30 June 2022: £4.8m).

Statement of financial position

Total non-current assets were £206.1m (31 December 2022: £183.3m). Significant movements arose as follows:

- a £5.5m increase in right of use assets (30 June 2022: £0.3m decrease) due to investment in plant acquired on hire purchase and a lease on the Group's new head office;
- a £5.6m increase (30 June 2022: decrease £3.4m) in the value of investment properties, being subsequent capital expenditure of £7.0m (30 June 2022: £nil), transfers from inventory £nil (30 June 2022: £4.5m) a revaluation gain of £0.6m (30 June 2022: gain of £3.4m), disposals of £1.0m (30 June 2022: £nil), and transfers to assets held for sale of £1.0m (30 June 2022: £11.1m);
- Investments in joint ventures and associates increased by £0.2m to £10.2m (31 December 2022: £10.0m), being profits generated of £0.2m;
- an increase in non-current trade receivables of £14.6m (30 June 2022: £1.3m decrease) following a number of strategic land sales made on deferred terms;
- The pension scheme asset has increased £1.9m to £8.1m (31 December 2022: £6.2m) largely due to the effect of the increasing liabilities discount rate offset by asset returns during the period; and a deferred tax asset which remains consistent at £0.2m (30 June 2022: £3.1m decrease).

Current assets were £8.9m higher at £404.0m (31 December 2022: £395.0m) resulting from:

- an uplift in inventories to £297.7m (31 December 2022: £291.8m) due to growth in housebuilding inventory;
- lower trade and other receivables of £65.2m (31 December 2022: £66.6m);
- cash and cash equivalents which were £3.1m higher at £20.5m (31 December 2022: £17.4m) due to current cash requirements and timing on loan repayments; and
- assets held for sale of £3.1m (31 December 2022: £nil) which relates to two property assets, one in Southend and a second being the Group's Head Office building in Sheffield (as the Group prepares to relocate to Sheffield City Centre in Q4).

Total liabilities rose to £204.7m (31 December 2022: £156.6m) with the most significant changes arising from:

- trade and other payables, including contract liabilities, decreased £8.5m to £95.9m (31 December 2022: £104.4m); and,
- borrowings, including lease liabilities, increased to £91.3m (31 December 2022: £66.0m) as the Group continues to invest in operational assets and transact on deferred payment terms.

Retained earnings increased net assets to £405.4m (31 December 2022: £394.3m) with the net asset value per share increasing by 2.6% to 303p (31 December 2022: 295p), an underlying increase of 2.9% to 298p (Dec 2022: 291p) when excluding the defined benefit pension scheme surplus net of tax liability.

NOTES:

[1] Underlying profit before tax is an alternative performance measure (APM) and is defined as profit before tax excluding revaluation movements on completed investment properties. Revaluation movement on completed investment properties includes gains of £1.4m (2022: £1.0m gain) on wholly owned completed investment property and gains of £0.3m (2022: £0.6m gains) on completed investment property held in joint ventures. This APM provides the users with a measure that excludes specific external factors beyond management's controls and reflects the Group's underlying results. This measure is used in the business in appraising senior management performance.

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the half year ended 30 June 2023

	Half year ended 30 June 2023 Unaudited £'000	Half year ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Revenue	**179,756**	144,414	341,419
Cost of sales	**(138,909)**	(100,528)	(259,829)
Gross profit	**40,847**	43,886	81,590
Other income	**4,800**	—	—
Administrative expenses	**(20,831)**	(18,596)	(40,455)
	24,816	25,290	41,135
Increase/(decrease) in fair value of investment properties	**595**	3,443	(4,921)
Profit on sale of investment properties	**86**	16	646
Loss on sale of assets held for sale	**—**	—	(149)
Profit on disposal of joint ventures	**—**	—	667
Share of profit of joint ventures and associates	**188**	10,376	9,079
Operating profit	**25,685**	39,125	46,457
Finance income	**1,769**	535	1,641
Finance costs	**(2,495)**	(883)	(2,503)
Profit before tax	**24,959**	38,777	45,595
Tax	**(5,805)**	(6,071)	(7,725)
Profit for the period from continuing operations	**19,154**	32,706	37,870
Other comprehensive (expense)/income not being reclassified to profit or loss in subsequent periods:			
Revaluation of Group occupied property	**(86)**	—	315
Deferred tax on property revaluations	**15**	—	(23)
Actuarial (loss)/gain on defined benefit pension scheme	**(2,049)**	18,842	14,994
Deferred tax on actuarial loss/(gain)	**512**	(4,710)	(3,749)

Total other comprehensive (expense)/income not being reclassified to profit or loss in subsequent periods	**(1,608)**	14,132	11,537
Total comprehensive income/(expense) for the period	**17,546**	46,838	49,407
Profit for the period attributable to:			
Owners of the Parent Company	**18,661**	32,065	33,319
Non-controlling interests	**493**	641	4,551
	19,154	32,706	37,870
Total comprehensive income attributable to:			
Owners of the Parent Company	**17,053**	46,197	44,856
Non-controlling interests	**493**	641	4,551
	17,546	46,838	49,407
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the period	**14.0p**	24.1p	25.0p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the period	**13.7p**	23.7p	24.6p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30 June 2023

	30 June 2023 Unaudited £'000	30 June 2022 Restated[1] Unaudited £'000	31 December 2022 Audited £'000
Assets			
Non-current assets			
Intangible assets	**2,552**	3,321	2,933
Property, plant and equipment	**24,210**	27,975	28,766
Right of use assets	**6,476**	1,290	997
Investment properties	**102,716**	100,740	97,116
Investment in joint ventures and associates	**10,178**	15,581	9,990
Retirement benefit asset	**8,108**	8,361	6,188
Trade and other receivables	**51,648**	34,827	37,029
Deferred tax assets	**249**	332	249
	206,137	192,427	183,268
Current assets			
Inventories	**297,664**	252,894	291,778
Contract assets	**17,421**	12,761	19,257
Trade and other receivables	**65,207**	74,296	66,601
Cash and cash equivalents	**20,538**	21,526	17,401
Assets classified as held for sale	**3,142**	11,137	—
	403,972	372,614	395,037
Liabilities			
Current liabilities			
Trade and other payables	**90,243**	82,250	95,827

Contract liabilities	**1,468**	7,730	4,006
Current tax liabilities	**7,664**	2,876	3,793
Borrowings	**85,000**	60,000	65,000
Lease liabilities	**1,539**	559	426
Provisions	**2,836**	4,511	4,003
	188,750	157,926	173,055
Net current assets	**215,222**	214,688	221,982
Non-current liabilities			
Trade and other payables	**4,235**	2,571	4,568
Lease liabilities	**4,770**	791	607
Deferred tax liability	**4,878**	6,573	4,401
Provisions	**2,057**	855	1,385
	15,940	10,790	10,961
Net assets	**405,419**	396,325	394,289
Equity			
Share capital	**13,798**	13,747	13,763
Property revaluation reserve	**2,281**	2,060	2,352
Retained earnings	**378,213**	370,229	365,692
Other reserves	**8,246**	7,139	7,482
Cost of shares held by ESOP trust	**(966)**	(966)	(967)
Equity attributable to owners of the Parent Company	**401,572**	392,209	388,322
Non-controlling interests	**3,847**	4,116	5,967
Total equity	**405,419**	396,325	394,289

[1] See 'Prior year restatements' for further details in the 'Basis of preparation and accounting policies'

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the half year ended 30 June 2023

	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 2022	**13,732**	**2,060**	**328,348**	**6,744**	**(1,044)**	**349,840**	**5,446**	**355,286**
Profit for the period	—	—	32,065	—	—	32,065	641	32,706
Other comprehensive income	—	—	14,132	—	—	14,132	—	14,132
Total comprehensive income	—	—	46,197	—	—	46,197	641	46,838
Equity dividends	—	—	(4,833)	—	—	(4,833)	(1,971)	(6,804)
Proceeds from shares issued	15	—	—	395	—	410	—	410
Share-based payments	—	—	517	—	78	595	—	595
	15	—	(4,316)	395	78	(3,828)	(1,971)	(5,799)
At 30 June 2022 (unaudited)	**13,747**	**2,060**	**370,229**	**7,139**	**(966)**	**392,209**	**4,116**	**396,325**

At 1 January 2022	**13,732**	**2,060**	**328,348**	**6,744**	**(1,044)**	**349,840**	**5,446**	**355,286**
Profit for the year	—	—	33,319	—	—	33,319	4,551	37,870
Other comprehensive income	—	292	11,245	—	—	11,537	—	11,537
Total comprehensive income	—	292	44,564	—	—	44,856	4,551	49,407
Equity dividends	—	—	(8,383)	—	—	(8,383)	(4,030)	(12,413)
Proceeds from shares issued	31	—	—	738	—	769	—	769
Share-based payments	—	—	1,163	—	77	1,240	—	1,240
	31	—	(7,220)	738	77	(6,374)	(4,030)	(10,404)
At 31 December 2022 (audited)	**13,763**	**2,352**	**365,692**	**7,482**	**(967)**	**388,322**	**5,967**	**394,289**
Profit for the period	—	—	18,661	—	—	18,661	493	19,154
Other comprehensive expense	—	(71)	(1,537)	—	—	(1,608)	—	(1,608)
Total comprehensive income/(expense)	—	(71)	17,124	—	—	17,053	493	17,546
Equity dividends	—	—	(5,347)	—	—	(5,347)	(2,613)	(7,960)
Proceeds from shares issued	35	—	—	764	—	799	—	799
Share-based payments	—	—	744	—	1	745	—	745
	35	—	(4,603)	764	1	(3,803)	(2,613)	(6,416)
At 30 June 2023 (unaudited)	**13,798**	**2,281**	**378,213**	**8,246**	**(966)**	**401,572**	**3,847**	**405,419**

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the half year ended 30 June 2023

	Half year ended 30 June 2023 Unaudited £'000	Half year ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Cash flows from operating activities			
Cash generated from operations	**6,140**	518	(16,549)
Interest paid	**(1,949)**	(549)	(1,829)
Tax paid	**(930)**	(1,030)	(2,918)
Net cash flows from operating activities	**3,261**	(1,061)	(21,296)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(926)**	(335)	(971)
Purchase of investment property	**(6,975)**	283	(9,301)
Purchase of investment in associate	**—**	—	(2,112)
Proceeds on disposal of property, plant and equipment (excluding assets held for hire)	**21**	184	10,987
Proceeds on disposal of assets held for hire	**—**	—	270
Proceeds on disposal of investment properties	**1,013**	—	8,146
Repayment of loans from joint ventures and associates	**—**	2,483	10,904
Advances to joint ventures and associates	**(6,752)**	(2,101)	(8,560)
Proceeds on disposal of investment in joint ventures	**—**	—	6,873
Distributions received from joint ventures and associates	**—**	6,960	7,160
Interest received	**1,299**	372	1,153
Net cash flows from investing activities	**(12,320)**	7,846	24,549

Cash flows from financing activities			
Proceeds from shares issued	**801**	410	769
Movement in payables from joint ventures and associates	**4**	358	355
Decrease in borrowings	**(15,000)**	(30,000)	(70,000)
Increase in borrowings	**35,000**	40,000	85,000
Principal element of lease payments	**(648)**	(339)	(679)
Dividends paid – ordinary shares	**(5,336)**	(4,822)	(8,362)
– non-controlling interests	**(2,614)**	(1,971)	(4,030)
– preference shares	**(11)**	(11)	(21)
Net cash flows from financing activities	**12,196**	3,625	3,032
Net increase in cash and cash equivalents	**3,137**	10,410	6,285
Net cash and cash equivalents at beginning of period	**17,401**	11,116	11,116
Net cash and cash equivalents at end of period	**20,538**	21,526	17,401

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the half year ended 30 June 2023

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 2022, which were prepared in accordance with UK-adopted International Accounting Standards, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The Independent Auditors' Report was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

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

The half-yearly financial information has been prepared using the same accounting policies and methods of computation as compared with the annual Financial Statements for the year ended 31 December 2022.

A number of other standards, amendments and interpretations became effective from 1 January 2023, which do not have a material impact on the Group's financial statements or accounting policies.

Prior year restatements

Amounts owed by joint ventures and associates

Amounts owed by joint ventures and associates have been restated for the period ended 30 June 2022. The Group previously recognised amounts owed by joint ventures and associates as being entirely due within one year on the basis these amounts were repayable on demand. Following a review of the Group's historic practice and future plans not to call on all intercompany receivables in the short term, £22,824,000 of amounts owed by joint ventures and associates at 30 June 2022 have been reclassified to non-current in line with IAS 1. There is no impact on the Consolidated Statement of Comprehensive Income, Statement of Changes in Equity or Statement of Cash Flows.

Government loans

The Group's borrowings and trade receivables have been restated for the period ended 30 June 2022. The Group previously recognised a government loan payable to the Homes and Communities Agency (HCA) amounting to £2,941,000 and a corresponding trade receivable from the related housebuilder. Following legal guidance on the nature of the agreement it has been concluded that the Group has no residual obligation to the HCA in respect of the loan which is payable directly by the related housebuilder and therefore no rights to receive a corresponding trade receivable from the related housebuilder. This has resulted in previously reported borrowings reducing by £2,941,000 and trade receivables decreasing by the same. There is no impact on the Consolidated Statement of Comprehensive Income, Statement of Changes in Equity or Statement of Cash Flows.

Going Concern

The Group meets its day-to-day working capital requirements through a secured loan facility. The facility was renewed on 23 January 2020, at a level of £75m, for a period of three years and extended by one year in January 2021 and a further year in January 2022 taking the facility renewal 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 was called on by the Group on 9 October 2022, increasing the overall facility to £105m.

The Directors have considered the Group's principal risk areas, including the risk of continued economic slowdown, that they consider material to the assessment of going concern.

The Directors have prepared forecasts to 31 December 2024 covering a base case and severe downside scenario.

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

The severe downside scenario considered includes short-term curtailment in transactional activity and percentage reductions in other activities mirroring recent downturn experiences. This is followed by a short to medium-term recovery, coupled with the ability to manage future expenditure as described in the 2022 Annual Report.

As reported in the 2022 Annual Report, the most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 50% reduction in revenue and near 67% reduction in profit before tax from our base case for 2023, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2024.

Their review supports the view that the Group will have adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the half-yearly financial information.

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

In preparing these half-yearly financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements for the year ended 31 December 2022.

Goodwill

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

3. SEGMENT INFORMATION

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

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

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

	Half year ended 30 June 2023 Unaudited					
	Property investment and development	**Land promotion**	**Construction**	**Group overheads**	**Eliminations**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
External sales	**71,517**	**52,645**	**55,594**	**—**	**—**	**179,756**
Inter-segment sales	**144**	**—**	**585**	**156**	**(885)**	**—**
Total revenue	**71,661**	**52,645**	**56,179**	**156**	**(885)**	**179,756**
Gross profit/(loss)	**11,117**	**21,143**	**8,467**	**134**	**(14)**	**40,847**
Other income	**4,800**	**—**	**—**	**—**	**—**	**4,800**
Administrative expenses	**(8,297)**	**(4,168)**	**(4,087)**	**(4,293)**	**14**	**(20,831)**
Other operating income/(expense)	**872**	**(3)**	**—**	**—**	**—**	**869**
Operating profit/(loss)	**8,492**	**16,972**	**4,380**	**(4,159)**	**—**	**25,685**
Finance income	**4,219**	**529**	**229**	**140**	**(3,348)**	**1,769**
Finance costs	**(2,455)**	**(263)**	**(217)**	**(2,163)**	**2,603**	**(2,495)**
Profit/(loss) before tax	**10,256**	**17,238**	**4,392**	**(6,182)**	**(745)**	**24,959**
Tax	**(2,338)**	**(4,076)**	**(1,098)**	**1,707**	**—**	**(5,805)**
Profit/(loss) for the period	**7,918**	**13,162**	**3,294**	**(4,475)**	**(745)**	**19,154**

	Half year ended 30 June 2022 Unaudited					
	Property investment and development	Land promotion	Construction	Group overheads	Eliminations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External sales	56,837	24,741	62,836	—	—	144,414
Inter-segment sales	145	—	3,685	214	(4,044)	—
Total revenue	56,982	24,741	66,521	214	(4,044)	144,414
Gross profit/(loss)	13,042	20,409	10,368	85	(18)	43,886

Administrative expenses	(7,233)	(3,250)	(4,040)	(4,091)	18	(18,596)
Other operating income	13,835	—	—	—	—	13,835
Operating profit/(loss)	19,644	17,159	6,328	(4,006)	—	39,125
Finance income	724	310	482	5	(986)	535
Finance costs	(740)	(77)	(190)	(1,074)	1,198	(883)
Profit/(loss) before tax	19,628	17,392	6,620	(5,075)	212	38,777
Tax	(1,904)	(3,304)	(1,717)	854	—	(6,071)
Profit/(loss) for the period	17,724	14,088	4,903	(4,221)	212	32,706

	Year ended 31 December 2022 Audited					
	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
Revenue						
External sales	168,990	43,820	128,609	—	—	341,419
Inter-segment sales	290	—	4,453	386	(5,129)	—
Total revenue	169,280	43,820	133,062	386	(5,129)	341,419
Gross profit/(loss)	36,488	24,320	20,720	99	(37)	81,590
Administrative expenses	(16,142)	(6,971)	(8,636)	(8,743)	37	(40,455)
Other operating income	5,322	—	—	—	—	5,322
Operating profit/(loss)	25,668	17,349	12,084	(8,644)	—	46,457
Finance income	4,015	744	1,507	26,576	(31,201)	1,641
Finance costs	(2,226)	(213)	(374)	(3,373)	3,683	(2,503)
Profit/(loss) before tax	27,457	17,880	13,217	14,559	(27,518)	45,595
Tax	(3,411)	(3,451)	(2,771)	1,908	—	(7,725)
Profit/(loss) for the year	24,046	14,429	10,446	16,467	(27,518)	37,870

	30 June 2023 Unaudited £'000	30 June 2022 Restated[1] Unaudited £'000	31 December 2022 Audited £'000
Segment assets			
Property investment and development	**375,023**	336,185	355,491
Land promotion	**152,251**	139,678	149,598
Construction	**48,116**	55,395	45,766
Group overheads	**5,826**	3,564	3,612
	581,216	534,822	554,467
Unallocated assets			
Retirement benefit assets	**8,108**	8,361	6,188
Deferred tax assets	**249**	332	249
Cash and cash equivalents	**20,536**	21,526	17,401

Total assets	**610,109**	565,041	578,305
Segment liabilities			
Property investment and development	**52,955**	35,104	59,113
Land promotion	**14,183**	10,753	13,114
Construction	**28,427**	48,035	36,994
Group overheads	**5,274**	4,025	568
	100,839	97,917	109,789
Unallocated liabilities			
Current tax liabilities	**7,664**	2,876	3,793
Deferred tax liabilities	**4,878**	6,573	4,401
Current lease liabilities	**1,539**	559	426
Current borrowings	**85,000**	60,000	65,000
Non-current lease liabilities	**4,770**	791	607
Total liabilities	**204,690**	168,716	184,016
Total net assets	**405,419**	396,325	394,289

[1] See 'Prior year restatements' for further details in the 'Basis of preparation and accounting policies'

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 2023 Unaudited £'000**	**At a point in time**	**Over time**	**30 June 2022 Unaudited £'000**	**At a point in time**	**Over time**
Construction contracts:						
- Construction	41,096	—	41,096	48,004	—	48,004
- Property investment and development	24,663	—	24,663	12,356	—	12,356
Sale of land and properties:						
- Property investment and development	12,836	12,836	—	26,509	26,509	—
- House builder unit sales	31,012	31,012	—	15,007	15,007	—
- Land promotion	52,502	52,502	—	24,645	24,645	—
PFI concession	6,502	6,502	—	6,162	6,162	—
Revenue from contracts with customers	**168,611**	**102,852**	**65,759**	**132,683**	**72,323**	**60,360**
Plant and equipment hire	7,996			8,670		
Investment property rental income	3,002			2,914		
Other rental income – property development	4			51		
Other rental income – land promotion	143			96		
	179,756			**144,414**		

5. EARNINGS PER ORDINARY SHARE

Earnings per ordinary share is calculated on the weighted average number of shares in issue being 133,386,168 (30 June 2022: 132,978,061). 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 2023 Unaudited £'000	Half year ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 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 2022 of 2.66p per share (2021: 2.42p)	—	—	3,540
Final dividend for the year ended 31 December 2022 of 4.00p per share (2021: 3.63p)	**5,336**	4,822	4,822
	5,347	4,833	8,383

An interim dividend amounting to £3,910,000 (2022: £3,540,000) will be paid on 13 October 2023 to shareholders whose names are on the register at the close of business on 29 September 2023. 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 2023 Unaudited £'000	Half year ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Current tax:			
UK corporation tax on profits for the period	**4,886**	5,733	8,690
Adjustment in respect of earlier periods	**(85)**	—	(152)
Total current tax	**4,801**	5,733	8,538
Deferred tax:			
Origination and reversal of temporary differences	**1,004**	338	(813)
Total deferred tax	**1,004**	338	(813)
Total tax	**5,805**	6,071	7,725

Corporation tax is calculated at 23.5% (31 December 2022: 19%) of the estimated assessable profit for the period being management's estimate of the weighted average corporation tax rate for the period. The Group's effective rate of tax of 23.3% is lower than the standard rate of corporation tax due to non-taxable property valuation increases.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of UK corporation tax would increase to 25%. This new law was substantively enacted on 24 May 2021; deferred tax balances at the period end have been measured at 25% (2022: 25%), being the rate at which timing differences are expected to reverse.

8. INVESTMENT PROPERTIES

	Completed investment property £'000	Investment property under construction £'000	Total £'000

Fair value			
At 1 January 2023 (audited)	**87,198**	**9,918**	**97,116**
Subsequent expenditure on investment property	**83**	**6,892**	**6,975**
Disposals	**(928)**	**—**	**(928)**
Transfer to assets held for sale	**(1,042)**	**—**	**(1,042)**
Increase/(decrease) in fair value in period	**1,405**	**(810)**	**595**
At 30 June 2023 (unaudited)	**86,716**	**16,000**	**102,716**
Adjustment in respect of tenant incentives	**(2,213)**	**—**	**(2,213)**
Market value at 30 June 2023	**84,503**	**16,000**	**100,503**

Fair value			
At 1 January 2022	95,177	9,000	104,177
Subsequent expenditure on investment property	(48)	—	(48)
Disposals	(3)	—	(3)
Transfer from inventory	4,542	—	4,542
Transfer to assets held for sale	—	(11,371)	(11,371)
Increase in fair value in period	1,072	2,371	3,443
At 30 June 2022 (unaudited)	**100,740**	—	**100,740**
Adjustment in respect of tenant incentives	(2,132)	—	(2,132)
Market value at 30 June 2022	**98,608**	—	**98,608**

Fair value			
At 1 January 2022	95,177	9,000	104,177
Subsequent expenditure on investment property	8	9,265	9,273
Capitalised letting fees	2	26	28
Amortisation of capitalised letting fees	(25)	—	(25)
Disposals	(7,500)	—	(7,500)
Transfer from inventory	6,827	391	7,218
Transfer to assets held for sale	—	(11,134)	(11,134)
Increase/(decrease) in fair value in period	(7,291)	2,370	(4,921)
At 31 December 2022 (audited)	**87,198**	**9,918**	**97,116**
Adjustment in respect of tenant incentives	2,234	—	2,234
Market value at 30 June 2023	**89,432**	**9,918**	**99,350**

At 30 June 2023, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £711,000 (31 December 2022: £nil).

9. BORROWINGS

	Half year ended 30 June 2023	Half year ended 30 June 2022 Restated[1]	Year ended 31 December 2022
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Bank loans	**85,000**	60,000	65,000
Lease liabilities	**6,309**	1,350	1,033

	91,309	61,350	66,033

[1] See ‘Prior year restatements’ for further details in the ‘Basis of preparation and accounting policies’

Movements in borrowings are analysed as follows:

	£’000
At 1 January 2023	66,033
Secured bank loans	35,000
Repayment of secured bank loans	(15,000)
New leases	5,851
Repayment of lease liabilities	(575)
At 30 June 2023	**91,309**

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

10. PROVISIONS FOR LIABILITIES AND CHARGES

Since 31 December 2023, 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 £867,000 has been utilised and additional provisions of £583,000 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, £887,000 has been utilised and additional provisions of £23,000 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 2023 %	30 June 2022 %	31 December 2022 %
Retail Prices Index (RPI)	**3.30**	3.90	3.20
Consumer Prices Index (CPI)	**2.70**	2.75	2.60
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.70**	2.75	2.60
Revaluation of deferred pensions	**2.70**	2.75	2.60
Liabilities discount rate	**5.40**	3.90	4.90

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

	Half year ended 30 June 2023 Unaudited £’000	Half year ended 30 June 2022 Unaudited £’000	Year ended 31 December 2022 Audited £’000
Service cost:			
Ongoing scheme expenses	**439**	266	644

Net interest (income)/expense	**(196)**	112	209
Pension Protection Fund	**45**	98	136
Pension expenses recognised in profit or loss	**288**	476	989
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	**6,451**	32,573	50,365
Actuarial losses/(gains) arising from changes in demographic assumptions	**986**	—	(1,070)
Actuarial losses/(gains) arising from experience adjustments	**2,138**	(721)	(721)
Actuarial gains arising from changes in financial assumptions	**(7,526)**	(50,694)	(63,568)
Actuarial losses/(gains) recognised in other comprehensive income	**2,049**	(18,842)	(14,994)
Total	**2,337**	(18,366)	(14,005)

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 2023 Unaudited £'000	Half year ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Present value of scheme obligations	**147,410**	168,369	152,576
Fair value of scheme assets	**(155,518)**	(176,730)	(158,764)
	(8,108)	(8,361)	(6,188)

12. RELATED PARTY TRANSACTIONS

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

There have been no material changes to the related party arrangements as reported in note 28 to the Annual Report and Financial Statements for the year ended 31 December 2022.

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 2023 Unaudited £'000	Half year ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
400,000 5.25% cumulative preference shares of £1 each (31 December 2022: 400,000)	**400**	400	400
133,984,551 ordinary shares of 10p each (31 December 2022: 133,627,922)	**13,398**	13,347	13,363
	13,798	13,747	13,763

14. CASH GENERATED FROM OPERATIONS

	Half year ended 30 June 2023	Half year ended 30 June 2022	Year ended 31 December 2022

	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Profit before tax	**24,959**	38,777	45,595
Adjustments for:			
Amortisation of PFI asset	**279**	293	579
Goodwill impairment	**102**	102	203
Depreciation of property, plant and equipment	**2,125**	1,926	3,957
Depreciation of right-of-use assets	**287**	298	597
Revaluation (increase)/decrease in investment properties	**(595)**	(3,443)	4,921
Amortisation of capitalised letting fees	—	—	25
Share-based payment expense	**744**	595	1,241
Pension scheme credit	**(3,969)**	(1,747)	(3,422)
(Profit)/loss on disposal of property, plant and equipment (excluding equipment held for hire)	**14**	(113)	(176)
Profit on disposal of equipment held for hire	**(596)**	(389)	(1,070)
Loss on disposal of right-of-use assets	—	1	—
Profit on disposal of investment properties	**(85)**	—	(646)
Loss on disposal of assets held for sale	—	—	150
Gain on disposal of joint ventures	—	—	(667)
Finance income	**(1,769)**	(535)	(1,641)
Finance costs	**2,495**	883	2,503
Share of profit of joint ventures and associates	**(188)**	(10,376)	(9,079)
Operating cash flows before movements in equipment held for hire	**23,803**	26,272	43,070
Purchase of equipment held for hire	**(2,538)**	(3,450)	(5,454)
Proceeds on disposal of equipment held for hire	**722**	550	1,343
Operating cash flows before movements in working capital	**21,987**	23,372	38,959
Increase in inventories	**(5,886)**	(22,140)	(63,701)
Increase in receivables	**(6,005)**	(7,619)	(3,763)
Increase/(decrease) in contract assets	**1,836**	(5,205)	(11,701)
(Increase)/decrease in payables	**(3,252)**	9,413	24,684
(Increase)/decrease in contract liabilities	**(2,540)**	2,697	(1,027)
Cash generated from operations	**6,140**	518	(16,549)

Net debt is an alternative performance measure used by the Group and comprises the following[1]:

Analysis of net debt[1]:			
Cash and cash equivalents	**20,538**	21,526	17,401
Bank overdrafts	—	—	—
Net cash and cash equivalents	**20,538**	21,526	17,401
Bank loans	**(85,000)**	(60,000)	(65,000)
Lease liabilities	**(6,309)**	(1,350)	(1,033)
Net debt	**(70,771)**	(39,824)	(48,632)

[1] See 'Prior year restatements' for further details in the 'Basis of preparation and accounting policies'

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 2023 financial year remain consistent with those set out in the Strategic Report on pages 52 to 56 of the Group's Annual Report and Financial Statements. These risks and uncertainties include:

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

The Group is mindful of sustained inflation, increasing interest rates and the low levels of growth in the UK economy, and particularly the impact this has on the residential housing market. This continues to be mitigated by maintaining a robust balance sheet, prudent levels of gearing and being selective of the opportunities we progress.

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 19 September 2023.

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 2022. 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
19 September 2023	19 September 2023