21 March 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 results for the year ended 31 December 2022

Strong operational performance and sales drive 10% dividend increase

Henry Boot PLC, a Company engaged in land promotion, property investment and development, and construction, announces its unaudited results for the year ended 31 December 2022.

Tim Roberts, Chief Executive Officer, commented:

"During what ended up being a turbulent year in which rising interest rates led to a rerating of the UK property market, Henry Boot delivered our best ever underlying profit and grew our NAV, which has allowed us to carry on increasing the dividend by 10%. The main driver of this performance has been strong sales activity across our three key markets of Industrial & Logistics, Urban Development and, most notably, Residential where we successfully sold a record number of plots of land. Management actions, through nearly £30m of well timed and accretive investment property sales, have led to a material outperformance of the investment portfolio against the CBRE index. Total property sales of £279m, combined with selective acquisitions, means gearing remains firmly at the bottom of our target range.

Whilst we remain cautious about the near term trading climate, expecting 2023 to be a tougher year, our rock solid balance sheet offers resilience to both weather any further economic uncertainty and to take advantage of any opportunities that arise from it. With early encouraging indicators already evident across certain markets we have the capacity to buy land, maintain and potentially expand our committed development programme as well as to continue to grow our JV housebuilder as soon as we feel economic recovery is on the way. We therefore have confidence in our ability to achieve our medium-term growth and return targets."

Financial Highlights

- Record underlying profit[1] of £56.1m (2021: £29.3m) driven by residential land and property development sales
- Revenue of £341.4m (2021: £230.6m), up 48.0%, driven by delivery of committed development programme
- Profit before tax increased to £45.6m (2021: £35.1m) up 29.7%, after deducting £10.5m for revaluation movements on completed investment property as UK commercial property values fell
- Increased ROCE[2] of 12.0% (2021: 9.6%), up 240 bps, within our medium-term strategic target of 10–15%
- EPS grew to 25.0p (2021: 21.2p), up 17.9%
- NAV[3] per share grew to 295p (December 2021: 267p), an increase of 10.5%, due to strong operational performance. Excluding the defined benefit pension scheme surplus, an underlying increase of 5.3% to 290p (December 2021: 276p)
- Robust balance sheet, with Net Debt[4] of £48.6m (2021: £40.5m) following strategic investments made during the year, gearing remains prudent at 12.3% (2021: 11.4%)
- Proposed final dividend of 4.00p (2021: 3.63p), an increase of 10.2%, reflecting the Group's strong operational performance and in line with our progressive dividend policy, bringing the total dividend for the year to 6.66p (2021: 6.05p)
- Performance reflects effective management of capital and risk in our three key markets: Industrial & Logistics, Residential and Urban Development

Operational Highlights

- £279m of sales led by our land promotion, property development and housebuilding businesses making the most of strong markets in the first half of the year

- Selective approach to acquisitions throughout the year, totalling £28.4m, including £27m of strategic investment to grow Hallam Land Management and Stonebridge Homes' land holdings

- Continued investment in our £240m high-quality committed development programme where costs are 97% fixed

- Land Promotion
    - A record of 3,869 plots sold (2021: 3,008), driven by a major disposal at Didcot of 2,170 plots
    - 9,431 plots with planning permission (2021: 12,865), leaving HLM well positioned against a backdrop of an increasingly constrained planning system

- Property Investment & Development
    - Significant committed development programme of £240m, with 63% pre-sold or pre-let
    - Over 1m sq ft of Industrial & Logistics development underway (HBD Share: £150m GDV)
    - £1.5bn development pipeline (Henry Boot share £1.25bn), 64% of which is focused on supply-constrained Industrial & Logistics markets, where occupier demand remains robust
    - Well timed sales within the investment portfolio of £29.6m, at an average 17% premium to the last reported book value, contributed to total return outperformance of -1.5% versus CBRE Index of -9.1%
    - Stonebridge Homes completed 175 homes (124 private/51 social) (2021: 120), at an average selling price for private homes of £503k (2021: £509k). Total owned and controlled land bank is now 1,094 plots (2021: 1,157) with detailed or outline planning permission on 872 plots (2021: 912)

- Construction
    - The construction business performed ahead of budget with turnover of £100.5m (52% from public sector) out of £128.6m segment total and has secured 68% of 2023 order book
    - Banner Plant has seen record levels of trading activity after experiencing strong demand from its customers and Road Link (A69) has performed well as a result of increasing traffic volumes

- Responsible Business
    - Continuing to make good progress against our Responsible Business Strategy targets and objectives, launched in January 2022

NOTES:

[1] Underlying profit 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 losses of £7.3m (2021: £4.6m gain) on wholly owned completed investment property and losses of £3.2m (2021: £1.2m gains) on completed investment property held in joint ventures. This APM has been introduced as it 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 is an APM and is defined as operating profit/capital employed where capital employed is the average of total assets less current liabilities and pension asset/obligation 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 7.

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

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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
Confirmation code:	Quote "Henry Boot FY Results"
Webcast link:	https://stream.brrmedia.co.uk/broadcast/63dce73852611c376881f9e8

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 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 long-standing plant hire business, and generates strong cash flows from its PFI contract through Road Link (A69) Limited.

www.henryboot.co.uk

Chair's Introduction

Henry Boot has benefited from strong sales activity which helped drive a 30% increase in profit before tax (PBT) to £45.6m (December 2021: £35.1m). In 2022, we completed on £279m of sales within our property development, strategic land and housebuilding businesses, which delivered the Group's best ever financial results of £56.1m on an underlying profit basis before revaluation movements on completed investment property. Whilst we are cautious with respect to the near-term trading climate as the economy adjusts to a higher interest rate environment, I am pleased to report that the Group continues to make progress against its strategic objectives, and we remain confident about achieving its medium-term growth and return targets.

The Group's financial position remains robust, with TAR[5] at 12.8%, reflecting the growth of NAV per share plus dividends paid. The business has remained purposefully selective on new projects investing £28.4m into new opportunities, with net debt increasing only marginally to £48.6m (2021: £40.5m) and gearing remaining low at 12.3% (2021: 11.4%), providing flexibility from a position of strength to react to any opportunities we see in the market.

On the basis of the Group's strong commercial and financial performance, the Board proposes to pay a final dividend of 4.00p per share, which together with the 2.66p interim dividend, gives a total of 6.66p (2021: 6.05p), an increase of 10.1% for the year. This will be paid on 2 June 2023 to shareholders on the register at the close of business on 5 May 2023.

In 2022 we launched our Responsible Business Strategy, and I am pleased to report we are making good progress against our targets. Our commitment to addressing climate change and reducing our environmental impact remains a key focus. We are proud of the progress made to lower our total direct GHG emissions (Scopes 1 and 2), which in 2022 reduced by 12% from the 2019 baseline, and the efforts our people have made to support our targets through how they work and travel.

Each year we conduct an independent Group Employee Engagement Survey, through the HIVE HR platform, to gain feedback from our people so we can continue to improve our employee experience and provide a positive culture and workplace environment. The 2022 survey continues to show very high levels of advocacy, pride and loyalty in Henry Boot, achieving an increased employee Net Promoter Score (eNPS) of 39 (2021: 26), which is ranked at the top of the very good range.

Finally, as the Group continues to grow and evolve as a diverse and progressive business, we have made the decision to relocate our Head Office from Banner Cross Hall to the Isaacs Building in Sheffield city centre this autumn. The Isaacs is a seven-storey development where we have taken 12,800 sq ft across the top three floors. The building offers greater collaboration space and excellent transportation links, as well as supporting our 2030 Net Zero Carbon (NZC) commitments.

On behalf of the Board, I would like to thank everyone at Henry Boot for their dedication and hard work. Their high levels of engagement have once again been instrumental to the business in producing such a strong set of results against a challenging backdrop.

Peter Mawson
Chair

CEO's Review

Henry Boot had a good 2022, delivering our best ever underlying profit of £56.1m. Even after allowing for downward valuation movements of £10.5m in our completed investment property portfolio as UK commercial property values declined, our statutory profit before tax still increased by 30% to £45.6m (2021: £35.1m). This is a highly satisfactory result amidst the macro economic headwinds faced in the second half.

The year started off buoyantly with encouraging levels of demand across our three key markets, which offset cost pressures and supply constraints, but with energy prices fuelling inflation and rising interest rates, we saw a marked slowdown in Q4 22. However, as we enter 2023 there are encouraging signs that the economy is proving slightly more resilient than expected, and demand is recovering with a resumption of activity in our markets.

The Group's results for the year were driven primarily by residential land sales at Hallam Land Management (HLM), a mix of land sales and development profits at HBD and house sales at Stonebridge Homes (SBH). We profitably sold £279m of land, buildings and houses during the year making the most of strong markets in H1 22 and took a very selective approach to acquisitions totalling £28.4m, which included growing HLM and SBH's land holdings.

On a statutory basis NAV increased by 11% to £395m, where we benefited from an increased pension scheme surplus, or on an underlying basis, NAV was up by 5% to £388m. Capital employed increased by 6.2% over the year to £399m, consistent with our medium-term target of £500m. Profitable sales also helped us to effectively manage our gearing, which at 12.3%, remains at the bottom of our 10-20% target range. The strength of our balance sheet, plus recently refreshed banking facilities of £105m, which are secured to 2025, means we are well positioned for a period of continued uncertainty ahead. As was the case when we came out of COVID, we have the capacity to buy land, maintain and potentially expand the committed development programme, and continue to grow our JV housebuilder, which puts us in a competitive position to act opportunistically.

With the disposal of 3,869 plots, HLM had its best ever year in terms of volume, making the most of a buoyant land market in H1 22, primarily due to a major disposal of 2,170 plots at Didcot. This project is a great example of HLM's depth of expertise in dealing with increasingly complex planning matters, and not only will it deliver much needed housing supply, but it also includes 80 acres of open space alongside extensive green infrastructure and cycle networks.

HLM grew its land bank to c.96,000 plots (2021: c.93,000) during the period, of which 9,431 plots have planning permission. I am increasingly convinced that the UK planning system is in need of urgent reform. The delays and complexities can no longer be blamed on COVID. Whilst we would derive greatest satisfaction from a more efficient system on account of the benefits this would bring local communities, the challenges of the current situation mean that the land we successfully promote and the expertise we bring in navigating the planning system remain increasingly in demand.

Towards the end of 2022, our major land customers, the national housebuilders, saw a well reported slowdown in house sales and consequently became more selective on land acquisitions. Early signs are that confidence is returning and, together with 992 plots (2021: 1,880 plots) unconditionally exchanged at year-end, we anticipate a reasonable year ahead in terms of land sales.

HBD continues to grow completed development activities with a Gross Development Value (GDV) of £117m (HBD share: £83m) (2021: £303m GDV, HBD share: £68m) of which 92% has been let or sold. The committed programme now totals £395m (HBD share: £240m GDV), 63% of which is currently pre-let or pre-sold. Whilst there are signs that construction cost inflation is slowing, we continue to actively manage risk with 97% of the development costs fixed.

Although investment markets have adjusted rapidly, our underlying occupational markets remain in fundamentally good shape. Structural demand persists for Industrial & Logistics (I&L) space, with national take up in 2022 a very healthy 65.8m sq ft (according to Gerald Eve), which, whilst down on the record high in 2021, was still the second most active year on record with rents increasing by 10.3% during the year. The build to rent (BtR) occupational market remains very buoyant with residential rents growing by 12.1% according to Zoopla in 2022. On offices there is a clear trend of people returning to our major cities and the workplace, with particularly strong demand for buildings that offer strong environmental credentials that assist occupiers in achieving their own NZC goals.

The part of the committed programme not pre-let or pre-sold is primarily in three high-quality schemes where we remain confident of demand:

- In Rainham, we have recently committed along with our JV partner, Barings, (HBD share: £24m GDV) to a 380,000 sq ft speculative I&L scheme. Whilst marketing has not yet begun, this NZC urban logistics development serving Greater London is already experiencing strong occupier interest.
- In the centre of Birmingham, we are part way through construction of 101 premium apartments (HBD share: £32m GDV) which we expect to launch successfully for sale in the summer of this year.
- Finally, in Manchester city centre in partnership with the Greater Manchester Pension Fund, we are building 91,000 sq ft of prime, NZC offices (HBD share: £33m). With the scheme responding to several identified office requirements, we expect good occupier interest.

As we make progress on letting or pre-selling these schemes, we have a number of high-quality I&L and BtR projects within our £1.25bn development pipeline that we can bring forward at the appropriate time.

As we highlighted at the time of the interim results, we tactically identified several properties for sale and I am pleased to report we sold three properties for a total of £29.6m, a 17% premium to the last reported book value. As a result, against a backdrop of falling values, we have delivered relative out performance on our investment portfolio (current value including our share of JVs £106m) with a total return of -1.5 % versus the CBRE UK index of -9.1%. Over the next few years, through a combination of retaining completed developments and acquisitions, we will look to build the portfolio up to our strategic target of £150m.

We made further progress with our JV housebuilder Stonebridge Homes (SBH), with a 46% increase in the number of homes delivered to 175 completions (2021: 120). Whilst supply chain issues at the tail end of the year meant we did not reach our target of delivering 200 homes, we marginally beat our profit expectations. This was driven by our ability to achieve sales prices that were over 10% ahead of budget, which meant cost inflation running at 9% was absorbed. With a target of 250 completions in 2023, and 139 homes already forward sold, we remain firmly on track to continue scaling up and hit our ambitious medium-term strategic target of 600 completions per annum.

The Construction segment has done remarkably well to trade ahead of our expectations. Henry Boot Construction (HBC) has made progress on all its projects despite dealing with very challenging supply and labour restrictions, although there are some signs that these restrictions and cost inflation are easing. HBC begins the year with 68% of the 2023 order book secured and a healthy pipeline of opportunities. Banner Plant (BP) has seen record levels of trading activity and is successfully growing its customer base.

Against a challenging near-term backdrop, we expect 2023 profits to be more subdued than 2022, but we will remain active, pushing ahead with our strategic and growth ambitions from a position of strength, further details of which are covered in the strategy and outlook sections below.

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.

Notwithstanding slowing markets in Q4 22, we still made good progress against our medium-term strategic targets:

Measure	Medium-term target	FY 22 Performance	Progress
Capital employed	To over £500m	£399m as at 31 Dec 2022	On track to grow capital employed to over £500m
Return on average capital employed	10%-15% per annum	12.0% in FY 22	We maintain our aim to be within the target range
Land promotion plot sales	c.3,500 per annum	3,869 in FY 22	Exceeded the strategic target of 3,500 per annum, forward sales of 992 plots
Development completions	Our share c.£200m per annum	Our share: £83m in FY 22, with committed programme of £240m in 2023	Increased our future pipeline to £1.25bn, we are on course to complete on average £200m per annum
Grow investment portfolio	To around £150m	£106m as at 31 Dec 2022	Value reduced primarily due to nearly £30m of accretive sales with scope to rebuild portfolio from retained developments

Stonebridge Homes sales	Up to 600 units per annum	175 homes completed in 2022, out of a delivery target of 200 homes	Completions below our target of 200 but strong sales prices mean the business performed marginally ahead of budget. Our goal is to complete 250 homes in 2023
Construction order book secured	Minimum of 65% for the following year	68% for 2023	Secured above target range for 2023 order book, with public sector work remaining a key focus

Responsible Business Strategy

It has been just over a year since 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 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.

12-month performance against our medium-term targets

Our People	Performance	**Our Places**	Performance
Develop and deliver a Group-wide Health and Wellbeing Strategy	The development of our strategy, in collaboration with our people, was launched in February 2023.	Contribute £1,000,000 of financial (and equivalent) value to our charitable partners	In 2022, we contributed (financial and equivalent value of) over £285,000 to our charitable and community partners.
Increase gender representation in management positions with 30% of our team and line managers being female	We have made strong progress, with female representation across our workforce increasing to 26%.	Contribute 7,500 volunteering hours to a range of community, charity and education projects	More than 2,250 volunteering hours have been delivered in 2022.
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.	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.

Reduce consumption of avoidable plastic by 50%	Sustainability audits completed and a reduction action plan in development.	Collaborate with all our partners to reduce our environmental impact	We continue to engage with membership organisations (including Yorkshire Climate Action Coalition) to share knowledge and best practice. In 2022 we became members of the UK Green Building Council (UKGBC).

Separate to our Responsible Business Strategy, I am proud of how Henry Boot has responded to the cost-of-living crisis. We have helped food banks across the locations in which we work by providing financial support, through the provision of food and other essential items, and by volunteering our time to provide aid. We also continued to offer financial assistance, time, and expertise to a wide range of charitable and community projects, creating meaningful and long-lasting social value for our charity partners. We made a one-off payment of £1,000 in September 2022 to over two-thirds of our people to support individuals and families during this challenging period and have introduced financial wellbeing coaching sessions to support our people in the longer term.

Outlook

Whilst the immediate outlook is uncertain, a number of leading indicators suggest that the economic slowdown will not be as severe as forecasts in the final quarter of last year predicted. It looks increasingly like interest rates are close to the so called 'pivot', we are seeing early signs that supply restrictions are lifting and with that some prospect of cost pressures easing.

There are early signs that our markets are improving. Occupier demand for I&L has remained resilient, and whilst yields moved out quickly during the second half of 2022, there are investors already looking to buy, tempted by the strong fundamentals of the market. Likewise, whilst data is available only for the first two months, housebuilders generally and SBH specifically, have seen a partial recovery in home buyer interest this year from the lows experienced in the final quarter of 2022. The march of the BtR sector, both in terms of customer and investor demand, continues.

So, for Henry Boot, we remain focused on building out our high-quality development programme. As we increase forward sales and pre-lettings above the present 63%, we will selectively look to replenish, and potentially expand, committed development, primarily by drawing down schemes which are ready to go from our £1.25bn development pipeline. With an ever restrictive planning environment demand for our well located consented plots will come back as the UK remains critically short of housing. In the meantime, we are partially insulated by the 992 land promotion plots that are already unconditionally exchanged and we start the year with 56% of SBH’s 250 target completions for 2023 already forward sold.

We will continue to work towards a more progressive, diverse and responsible business by meeting targets outlined in our Responsible Business Strategy, and investing in key areas such as marketing, customer relations and business improvement processes, including technology. At the same time, we will continue to nurture the great culture within Henry Boot and engage with people who, despite the ups and downs of the last few years have remained energetic and fully committed. Moreover, we have confidence in the long-term fundamentals of our markets, business model and have the operational and financial resources to continue to meet our strategic growth and return objectives.

Tim Roberts
Chief Executive Officer

Business Review

Land promotion

HLM has traded strongly in 2022, achieving an operating profit of £17.3m (2021: £17.5m) from selling 3,869 plots (2021: 3,008 plots) at nine locations. Total plot sales were materially higher during 2022 due to a major disposal at Didcot of 2,170 plots to Taylor Wimpey and Persimmon Homes. However due to the size of the sale and discount for volume, the average gross profit per plot reduced to £6,066 (December 2021: £7,820).

UK greenfield land values increased by 2.0% in the 12 months to 31 December 2022 according to Savills Research. Following growth during the first nine months of the year, UK greenfield values fell by 2.2% in the final quarter. In the latter part of the year, transactions slowed significantly as many housebuilders paused land buying in response to slowing sales rates and the number of sites being actively marketed for sale reduced. However, although many of the major housebuilders have slowed their land buying, there remains selective interest in prime sites with planning consents, such as HLM can offer, amid some confidence returning to the industry following the significant disruption caused by the effects of the mini-budget in the second half of 2022.

HLM'S land bank grew to 95,704 plots (December 2021: 92,667 plots), of which 9,431 plots (December 2021: 12,865 plots) have planning permission (or Resolution to Grant subject to S106). The decrease in plots with planning permission reflects disposals during 2022 and continued delays in the planning system. In 2022, there were 1,473 plots submitted for planning, taking the total plots awaiting determination to 12,297 (December 2021: 11,259 plots).

Unfortunately, the planning system continues to experience delays due to a growing number of complexities such as the emerging Draft National Planning Guidance, which looks to be slowing down Local Authority Development Plan making and Planning Application determination. This resulted in HLM only gaining planning permission for 435 plots in 2022 (2021: 452 plots). Already in 2023, HLM has achieved planning permission on 320 plots and is expecting determination on its remaining plots to fall into 2023 and beyond.

HLM's land bank remains well positioned due to the high levels of stock with planning permission. Despite experiencing challenges with the planning system, the number of plots under control and in planning has increased, giving us confidence in the medium term that our stock levels holding 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 9,431 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			
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
2018	18,529	1,533	(3,573)	16,489	11,929	44,051	72,469

In relation to significant schemes:

- In H2 22, a S106 Agreement was signed at South West Milton Keynes allowing the outline planning consent to be drawn down for 618 plots, primary and secondary schools and open space. The site has subsequently been disposed of post period-end to Taylor Wimpey, with the sale completing in March 2023.

- At Pickford Gate, Coventry (formerly Eastern Green), following the grant of outline planning permission for 2,400 plots, 37 acres of employment land and a new primary school, local centre uses and open space in 2020, HLM unconditionally exchanged to sell 250 plots to the Vistry Group in March, which will complete by the end of 2023.
- In 2022, North West Bicester, a 3,100-plot scheme the subject of an outline planning application, progressed well with Oxfordshire County Council delivering a road bridge under the London/Banbury rail line, and the District Council signalling an increase in development plan housing numbers, such that our scheme aligns with emerging policy. The scheme, which also includes a primary school, funds for a secondary school, mixed use local centre, commercial land open space and biodiversity offsetting, has been designed to achieve emerging environmental requirements and energy use.
- At Swindon, the 2,000-plot site with outline consent that is being promoted through an option agreement jointly held with Taylor Wimpey, terms for acquisition were near settled with the landowners, but stalled due to the market disruption in Q4 2022 and HLM is now working to conclude the purchase during 2023.

Residential Land Plots – Regional Split		
Region	**Plots**	**Percentage**
Scotland	9,630	10%
North	12,528	13%
North Midlands	17,716	18%
South Midlands	21,982	23%
South	6,766	7%
South East	5,395	6%
South West	21,687	23%
Totals	**95,704**	**100%**

Property Investment and Development

Property Investment and Development, which includes HBD and SBH, delivered a combined operating profit of £25.7m (2021: £18.3m).

According to the CBRE Monthly Index, commercial property values declined by 13.3% in the 12 months to 31 December 2022. Industrial property was the worst performing sector with values down 21% during the year followed by offices down 12.1% and retail down 8.1%. Commercial property values were negatively impacted by rising interest rates during H2 22 with overall values declining by -19.0%. Having seen strong investor demand over the last few years driving substantial yield compression, I&L was the worst performing sector in 2022 as the sharp increases in interest rates resulted in significant yield expansion during H2 22. Whilst investment volumes were down 25% on 2021, it was still the second most active year on record. At the same time, I&L vacancy rates reached a new low of 3.6% in Q4 22 (for units above 50,000 sq ft). The rate of yield expansion has slowed in recent months suggesting commercial property values are beginning to stabilise. At the same time, the rental growth outlook for both I&L and regional BtR remains positive given the level of active demand and lack of available space. Regional office demand has continued to recover from the 2020 low with take-up increasingly focused on grade A space resulting in prime rental growth of 6.5% in 2022.

HBD has performed well, completing developments with a GDV of £117m (HBD share £83m GDV; 2021: HBD share £68m GDV), of which 92% have been let or sold. In the year, HBD completed on:

- Five industrial schemes totalling 497,000 sq ft with a combined GDV of £86m (HBD share: £60m GDV).
- Two residential land sales with a GDV of £23m (HBD share: £15m GDV), comprising a 184-unit scheme in Skipton, which was pre-sold to Bellway, as well as a sale of land to Aberdeen City Council for the construction of 500 houses.
- A 23-unit residential build-to-sell scheme in York, Clocktower, with a GDV of £8m.

2022 Completed Schemes

Scheme	GDV (£m)	HBD Share of GDV (£m)	Commercial ('000 sq ft)	Residential Size (Units)	Status
Industrial					
Wakefield, Kitwave	12	6	65	-	Pre let & pre-sold
Luton, Quad 2	16	16	82	-	Pre-sold
Pool, MKM	4	4	15	-	Pre-let
Southend	12	12	75	-	Speculative
Wakefield Hub, Phoenix	42	22	260	-	Pre-sold
	86	60	497	-	
Residential					
Skipton	7	7	-	184	Pre-sold
Aberdeen, Cloverhill	16	8	-	500	Pre-sold
York, Clocktower	8	8	-	23	Pre-sold
	31	23	-	707	
Total for the Year	**117**	**83**	**497**	**707**	

The committed development programme now totals a GDV of £395m (HBD share: £240m GDV) of which 63% is currently pre-let or pre-sold, with 97% 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	368	–	Speculative	Q4 24
Nottingham, New Horizon	54	54	426	–	Forward funded	Q2 23
Walsall, SPARK Remediation	37	37	–	–	Forward funded	Q2 24
Luton, Diploma	20	20	85	–	Pre-let	Q2 23
Preston, East DPD & DHL	30	15	122	–	Pre-let and forward funded	Q4 23
	261	150	1,001	–		
Urban Residential						
Birmingham, Setl	32	32	–	101	Speculative	Q1 24
York, TDT	22	22	54	–	Pre-sold	Q2 23
Aberdeen, Bridge of Don	12	1	–	TBC	Under-offer	Q4 23
Aberdeen, Cloverhill	2	2	–	420	Pre-sold and DM fee	Q4 23
	68	57	54	521		
Urban Commercial						
Manchester, Island	66	33	91	–	Speculative	Q3 24
Total for the Year	**395**	**240**	**1,146**	**521**		
% sold or pre-let (incl Island)	**45%**	**63%**				

Within the committed programme there is currently over 1m sq ft of I&L space (HBD Share: £150m GDV), a total of 521 urban residential units (HBD Share: £57m GDV) and 91,000 sq ft of commercial space (HBD Share: £33m GDV). In this regard:

- In H1 23, three projects (Diploma, Luton, New Horizon, Nottingham and TDT, York) are set to complete on site with a combined GDV of £96m.
- After securing pre-lets with DPD and DHL at Preston East (HBD share: £15m GDV) in H2 22, the 122,000 sq ft I&L development was subsequently pre-sold to Titan Investments, at 10% above book value, with completion expected in Q4 23.
- HBD has committed to Momentum, Rainham (in an 80:20 JV with Barings) (HBD share: £24m GDV) a 368,000 sq ft speculative I&L development located close to Central London and within five miles of J30 of the M25. Whilst formal marketing has not yet begun, the scheme is already attracting strong occupier interest.
- At Setl, Birmingham, HBD is currently on site delivering a scheme of 101 premium apartments within the highly sought-after St Paul's area of Birmingham's Jewellery Quarter. Residential amenities include a roof garden, co-working lounge and wellness studio. The scheme also incorporates 2,250 sq ft of ground floor commercial space and is currently on track for completion in Q4 23.

HBD's total development pipeline has grown to a GDV of £1.5bn (HBD share: £1.25bn GDV). All of these opportunities sit within the Company's three key markets of I&L (64%), Urban Commercial (21%) and Urban Residential (15%). Significant schemes include:

- As reported in the interim results, HBD was appointed as development partner on the first phase (HBD share: £50m GDV) of Cheltenham Borough Council's £1bn Golden Valley development which comprises the delivery of a mixed-use campus clustered around 150,000 sq ft of innovation space that will serve as the new National Cyber Innovation Centre.
- In H2 22, a planning promotion and option agreement was secured at Brodsworth (HBD Share: £90m GDV) for 432 acres of employment land and 1,000 residential plots. The c.730-acre site is jointly being promoted and developed by both HLM and HBD.
- At Neighbourhood, Birmingham (HBD Share: £117m GDV), a planning application was submitted in Q3 22 for 414-unit BtR development and was subsequently granted in March 2023. The scheme is situated on a 2.6-acre site located within the Jewellery Quarter area of Birmingham, in a prime location in close proximity to the city centre. Neighbourhood will create an inclusive new community around public realm with landscaped gardens and will host a selection of the best local independent leisure operators. The internal amenities within the scheme include a double height winter garden, a gym, roof terraces and work zones. The scheme is targeting to secure pre-funding during 2023.

Within the development pipeline there are several developments that showcase the Group's ESG ambitions and credentials by targeting both an EPC A rating and BREEAM Excellent:

- HBD and Greater Manchester Pension Fund are working in a joint venture 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.
- At Momentum, Rainham, the I&L NZC scheme will target BREEAM Excellent, an EPC A+ rating and all the units will be 100% electric. The scheme is currently receiving encouraging occupier interest.
- HBD is designing 200,000 sq ft of NZC offices within Manchester's St John's district, which is establishing itself as the tech, arts and culture district of the city centre.

During 2022, a number of well-timed sales were made to reduce the size of the investment portfolio (including share of properties held in JVs), which as of 31 December 2022 was valued at £106m (2021: £126m). Whilst the CBRE UK Monthly Index showed commercial property values decreased by 13.3% over 2022, HBD completed three sales in H2 22, comprising Kitwave Wakefield, Acre Mill and Stop24 for a total of £29.6m, at an average 17% premium to the last reported book value. This was a major driver of relative outperformance with a portfolio capital return of -5.4%. The total property return of -1.5% for 2022, was significantly ahead of the CBRE UK Monthly Index (-9.1%). Rent collection for FY 22 stands at 98% with occupancy increasing slightly to 88% (2021: 85%) and the weighted average unexpired lease term is now 10.7 years (2021: 16.1 years).

The Group is also committed to ensuring that all the properties within the investment portfolio have a minimum EPC rating of 'C'. Currently 70% of these properties have a rating of 'C' or higher, of which 39% of the total portfolio are rated 'A-B'. The majority of the remaining 30% of the portfolio that are currently below a 'C' rating, have redevelopment potential with a target range of 'A' or 'B'.

The UK housing market slowed during 2022 as homebuyer demand was impacted by higher mortgage rates following the sharp increases in interest rates. According to Nationwide, house prices increased by 2.9% during 2022, with the increase of 5.7% during the first eight months of the year largely reversing in the final four months as prices declined by 2.6% from their peak. Whilst mortgage approvals remain subdued, the reduction in longer-term interest rates has started to feed through to mortgage rates, which together with unemployment remaining low and a continued shortage of supply, should help support transaction volumes during 2023.

SBH has continued to grow and during 2022 delivered 175 house completions (124 private/51 social) (2021: 120), at an average selling price for private homes of £503k (2021: £509k). Due to high levels of forward sales brought into the year, the average sales rate reduced to 0.51 houses per week per outlet (2021: 0.83). In common with many in the industry, supply chain challenges have impacted SBH with completed sales below our target of 200, but strong sales prices mean the business was marginally ahead of budget. As a result of sales prices being achieved 10.4% ahead of budget, 9% build cost inflation has been effectively managed.

SBH total owned and controlled land bank now comprises 1,094 plots (2021: 1,157) of which 872 plots have detailed or outline planning and has 3.5 years supply based on a one-year rolling forward sales forecast for land with planning or 4.4 years for its full land bank.

SBH has begun the year well, with mortgage rates beginning to stabilise, and an easing of cost-of-living pressures providing some support to housing market activity levels. The strategic objective of growing the business to achieve 600 completions per annum remains on track, entering 2023 with 56% of reservations already secured against its delivery target of 250 homes (188 private/62 social).

Construction

Trading in the Group's construction segment has been ahead of expectations in 2022, achieving an operating profit of £12.1m (2021: £9.0m).

UK construction activity continued to recover during 2022, with annual output increasing by 5.6% following the record increase of 12.8% in 2021. At a sector level private housing was the largest positive contributor, with record annual growth in private industrial new work. Monthly output in December 2022 was 3.8% above the February 2020 pre-COVID level.

HBC, the Group's construction business, performed in line with expectations, delivering a turnover of £100.5m (2021: £86.2m) (52% in public sector) and begins 2023 with 68% of its order book secured. 94% of the forecast costs relating to work already secured for 2023 has fixed price orders placed or contractual inflation clauses.

Despite experiencing delays and challenges with the supply chain and material deliveries, progress continues to be made on the £42m urban development scheme in the heart of Sheffield for Sheffield City Council and Queensberry Development Management to create the Cambridge Street Collective as a mixed-use facility as well as Elshaw House which will be a seven-storey NZC office building. Works will be completed in H1 2023. Works on our £40m BtR residential scheme Kangaroo Works in Sheffield are also progressing through to completion in H1 2023. Good progress has been made on the £47m residential development called the Cocoa Works in York for Latimer Developments. The seven storey 279 apartment scheme remains on schedule for completion early 2024.

HBC operates across ten public sector frameworks and has seven schemes on site through public sector frameworks with a total order value of £55m. In 2022 there were six successful renewals, which include:

- A new four-year P23 NHS Framework for projects up to £20m across Yorkshire, Humber and the East Midlands.
- A place on the new four-year DfE Framework for projects between £6m to £12m in the North East, Yorkshire and the East Midlands.
- YORbuild3 Medium Value Framework for projects between £4m and £10m.

Looking ahead, HBC is looking to maintain its public sector framework presence and is currently bidding on the Pagabo refit and refurbishment framework for works up to £30m in Yorkshire, Humberside and the East Midlands.

BP has seen record levels of trading activity with turnover in 2022 up 5%. Strong customer demand has also driven an improvement in the asset utilisation rate to 75% (2021: 70%) on its plant hire equipment. Road Link has performed well as a result of traffic volumes increasing and the added benefit of high inflation feeding into higher toll revenues.

Financial Review

Summary of financial performance

	2022	2021	Change
	£'m	£'m	%
Total revenue			
Property Investment and Development	**169.0**	69.4	+144
Land Promotion	**43.8**	58.6	-25
Construction	**128.6**	102.6	+25
	341.4	230.6	+48
Operating profit/(loss)			
Property Investment and Development	**25.7**	18.3	+40
Land Promotion	**17.3**	17.5	-1
Construction	**12.1**	9.0	+34
Group overheads	**(8.6)**	(9.3)	-8
	46.5	35.5	+31
Net finance cost and other	**(0.9)**	(0.4)	+125
Profit before tax	**45.6**	35.1	+30

The Group has benefited from strong activity within its property development and strategic land businesses, driving the Group's best ever financial results on an underlying profit basis[1] of £56.1m (excluding revaluation movements on completed investment property) (2021: £29.3m).

Property investment and development was particularly strong in H1 22, as a number of land sales completed and development contracts progressed, with the full-year results subdued only by the market-wide fall in UK commercial property values. Stonebridge Homes continued its growth trajectory increasing unit completions by 46% to round off a strong performance for the property investment and development segment.

UK housebuilding demand has also driven increased strategic land activity within our land promotion segment with an operating profit of £17.3m generated by the disposal of 3,869 residential plots during the year. The segment also contractually exchanged sales that will generate £13m of gross profit in 2023.

In anticipation of the UK economy slowing in H2 22, the Group reduced cash investment in new acquisitions and focused on the development of existing schemes from our pipeline of opportunities, with the aim of bringing assets to market at the most opportune time.

Consolidated Statement of Comprehensive Income

Revenue increased 48% to £341.4m (2021: £230.6m) as we continue to deliver a number of schemes in the property investment and development segment and having completed on 175 (2021: 120) house sales in Stonebridge Homes. The land promotion business disposed of 2,170 plots to Taylor Wimpey and Persimmon Homes at Didcot and exceeded our target to dispose of 3,500 plots per annum. The construction segment grew its revenue 25%, continuing to deliver urban development works in Sheffield and from a number of framework agreements that generate profitable work.

Gross profit of the Group increased 47% to £81.6m (2021: £55.5m), a gross profit margin of 24% (2021: 24%) and reflects healthy returns across all our operating segments. Administrative expenses increased by £4.0m (2021: £3.4m) as we continued to invest in our people and processes to support future growth.

Pension expenses of £4.3m (2021: £6.0m) are £1.7m lower than the prior year due to the cost of closing the defined benefit pension scheme to future accrual in 2021. The defined benefit pension scheme entered a surplus on an IAS 19 basis in the year.

Property revaluation losses amounted to £8.2m (2021: £15.0m gain), incorporating £4.9m revaluation losses (2021: £8.0m gain) on wholly owned investment property and £3.2m revaluation losses (2021: £7.0m gain) on our share of investment property held in joint ventures.

Property revaluation (losses)/gains	**2022** **£'m**	2021 £'m
Wholly owned investment property:		
- Completed investment property	**(7.3)**	4.6
- Investment property in the course of construction	**2.4**	3.4
	(4.9)	8.0
Joint ventures and associates:		
- Completed investment property	**(3.2)**	1.2
- Investment property in the course of construction	**-**	5.8
	(3.2)	7.0
	(8.2)	15.0

Profit on sale of investment properties of £0.6m (2021: £1.3m), relates to the opportune disposal of a motorway services asset to the existing operator in Kent. Loss on disposal of assets held for sale of £0.1m represents the selling costs on disposal of an industrial asset in Wakefield.

Share of profit of joint ventures and associates of £9.1m (2021: £8.9m) includes significant land disposal in Aberdeen for local authority housing and development of an industrial unit in Wakefield offset by property revaluation losses of £3.2m, all by the property investment and development segment.

Profit on disposal of joint ventures and subsidiaries of £0.7m (2021: nil) relates to the disposal of a long standing 50% interest in a joint venture entity in Huddersfield by the property investment and development segment.

Overall, operating profits increased by 30.6% to £46.5m (2021: £35.6m) and, after adjusting for net finance costs, we delivered a PBT of £45.6m (2021: £35.1m).

The segmental result analysis shows that:

- Property investment and development produced an increased operating profit of £25.7m (2021: £18.3m) arising from additional profits on development contracts, land sales and an increase in Stonebridge housing unit disposals to 175 (2021: 120), offset by a valuation loss on wholly owned investment property of £4.9m (2021: 8.0m gain).
- Land promotion operating profit remained consistent at £17.3m (2021: £17.5m) as we disposed of 3,869 residential plots during the year (2021: 3,008).
- Construction segment operating profits increased to £12.1m (2021: £9.0m) as construction and plant hire activity levels remain positive and due to inflation-related fee increases on our PFI contract.

We continue to demonstrate the benefits of a broad-based operating model and how this allows us to manage the impact of cyclical markets during challenging times and capitalise on market recoveries that follow. We maintain a significant pipeline of property development and consented residential plots; the variable timing of the completion of deals in these areas does give rise to financial results which can vary depending upon when contracts are ultimately concluded. We mitigate this through the mix of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £7.7m (effective rate of tax: 16.9%) (2021: £4.5m; effective tax rate: 12.8%) and is lower (2021: lower) than the standard rate of tax due to adjustments for joint ventures and associates reported net of tax (2021: due to adjustments in respect of earlier years arising from additional loss relief on asset disposals). Current taxation on profit for the year was £8.5m (2021: £1.1m), deferred tax was a credit of £0.8m (2021: £3.4m debit).

Earnings per share and dividends

Basic earnings per share increased 18% to 25.0p (2021: 21.2p) in line with the increase in profits attributable to owners of the Parent Company. Total dividend for the year increased 10% to 6.66p (2021: 6.05p), with the proposed final dividend increasing to 4.00p (2021: 3.63p), payable on 2 June 2023 to shareholders on the register as at 5 May 2023. The ex-dividend date is 4 May 2023.

Return on capital employed[2] ('ROCE')

Higher operating profit in the year saw an increased ROCE[2] to 12.0% in 2022 (2021: 9.6%) and is now within the Group's target return of 10%–15% which we believe is appropriate for our current operating model and the markets we operate in.

Finance and gearing

Net finance costs increased to £0.9m (2021: £0.4m) reflecting the increase in UK interest rates during the year.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties, disposal and joint venture profits) to net interest (excluding interest received on other loans and receivables), was 22 times (2021: 31 times). No interest incurred in either year has been capitalised into the cost of assets.

The Group's banking facilities were agreed on 23 January 2020 at £75.0m. The facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions. On 20 January 2022, the banks agreed to the Group's second extension taking the facility to 23 January 2025 and on 9 October 2022 to a call on the accordion increasing the total committed facility to £105.0m. The Group had drawn £65.0m of the facility at 31 December 2022 (2021: £50.0m).

On 20 December 2021, the Group signed a £25.0m receivables purchase agreement with HSBC Invoice Finance UK Limited (HSBC) that allows it to sell deferred income receivables to the bank. The risk and rewards of ownership are deemed to fully transfer to HSBC and, therefore, this agreement is recorded off balance sheet. The Group had sold £7.6m of receivables under the agreement at 31 December 2022 (2021: £nil).

2022 year-end net debt[4] was £48.6m (2021: £40.5m) resulting in the Group having gearing of 12.3% (2021: 11.4%), at the lower end of our targeted range of 10%-20%.

All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year, we operated comfortably within the facility covenants and continue to do so.

Cash flow summary

	2022 £'m	2021 £'m
Operating profit	**46.5**	35.6
Depreciation and other non-cash items	**(3.4)**	(13.9)
Net movement on equipment held for hire	**(4.1)**	(4.8)
Movement in working capital	**(55.6)**	(55.5)
Cash generated from operations	**(16.6)**	(38.6)
Net capital disposals/(investments)	**16.6**	(20.9)
Net interest and tax	**(3.6)**	(5.0)
Dividends paid	**(12.4)**	(8.4)
Dividends received from joint ventures	**7.1**	2.2
Other	**0.8**	0.2
Change in net debt	**(8.1)**	(70.5)
Net (debt)/cash brought forward	**(40.5)**	30.0
Net debt carried forward	**(48.6)**	(40.5)

During 2022, the cash outflow from operations amounted to £16.6m (2021: £38.6m) after net investment in equipment held for hire of £4.1m (2021: £4.8m), and cash outflows from a net increase in working capital of £55.6m (2021: £55.5m).

Our increase in working capital arises from additional investment in property developments in progress, our housebuilding and strategic land portfolios and an increase in contract assets.

Net capital disposals of £16.6m (2021: £20.9m investment) arose from disposals of investment property of £19.1m (2021: 6.7m) and joint ventures of £6.9m (2021: £4.3m) and net movement in JV investments of £0.6m (2021: £(13.7)m), which were offset by additions to investment property of £9.3m (2021: £17.3m) and net additions to property, plant and equipment of £0.7m (2021: £0.9m).

Net dividends, totalled £5.3m (2021: £6.2m), with those paid to equity shareholders of £8.4m (2021: £7.6m) increasing by 10% and, dividends to non-controlling interests of £4.0m (2021: £0.8m), being offset by dividends received from joint ventures during the year of £7.1m (2021: £2.2m).

After net interest and tax of £3.6m (2021: £5.0m), there was an overall outflow in net cash of £8.1m (2021: £70.5m), resulting in net debt of £48.6m (2021: £40.5m).

Statement of financial position summary

	2022 **£'m**	2021 £'m
Investment properties and assets classified as held for sale	**97.1**	104.2
Intangible assets	**2.9**	3.7
Property, plant and equipment, including right-of-use assets	**29.8**	27.9
Investment in joint ventures and associates	**10.0**	12.2
	139.8	148.0
Inventories	**291.8**	235.3
Receivables	**122.9**	111.1
Payables	**(113.6)**	(85.1)
Other	**(4.2)**	(1.2)
Net operating assets	**436.7**	408.0
Net debt	**(48.6)**	(40.5)
Retirement benefit asset/(obligations)	**6.2**	(12.2)
Net assets	**394.3**	355.3
Less: Non-current liabilities and pension asset	**4.8**	20.4
Capital employed	**399.1**	375.7

Wholly owned investment properties decreased in value to £97.1m (2021: £104.2m), following the disposals of an industrial unit in Wakefield and motorway service station in Kent, together they sold at a premium to book value of £18.6m. Offset by the transfer of newly completed industrial units from inventory at Southend and Luton, which amount to £16.7m including subsequent expenditure. Property revaluation losses amounted to £8.2m (2021: £15.0m gain), incorporating £4.9m revaluation losses (2021: £8.0m gain) on wholly owned investment property and £3.2m revaluation losses (2021: £7.0m gain) on our shares of investment property held in joint ventures.

Intangible assets reflect goodwill of £1.2m (2021: £1.4m), being Road Link (A69) of £0.3m (2021: £0.5m) and Banner Plant depots £0.9m (2021: £0.9m) and the Group's investment in Road Link (A69) of £1.7m (2021: £2.3m). The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to National Highways at the end of the concession period in 2026.

Property, plant and equipment comprises Group occupied buildings valued at £7.0m (2021: £6.6m) and plant, equipment and vehicles with a net book value of £22.8m (2021: £21.3m), including £1.0m (2021: £1.6m) of right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have increased as new additions of £3.8m (2021: £6.8m) are offset by disposals and the depreciation charge for the year. Right-of-use assets have decreased in the year as the Group's lease liabilities unwind.

Investments in joint ventures and associates decreased £2.2m to £10.0m (2021: £12.2m) arising from the Group's share of profits of £9.1m (2021: £8.9m) (including fair value reductions of £3.2m), less distributions of £7.2m (2021: £2.2m) and net disposals of £4.1m (£0.4m). We continue to undertake property development projects with other parties where we feel there is a mutual benefit.

Inventories were £291.8m (2021: £235.3m) with property inventory increasing to £91.2m (2021: £75.2m) as the Group progressed a Build to Sell opportunity in Birmingham, and existing development schemes, most notably an industrial scheme in Southend. We have increased our housebuilder land and work in progress to £80.6m (2021: £52.5m) as we continue to invest in land, expand regionally into the North East and increase annual plot disposals. We continue to invest in owned land and land interests held under agency agreements at a lower capital cost. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal.

Receivables, including contract assets, increased £11.8m to £122.9m (2021: £111.1m) due to an increase in commercial activity. Deferred payment receivables remain a function of the number and size of strategic land development schemes sold, and levels of construction contract activity undertaken.

Payables increased to £113.6m (2021: £85.1m) with trade and other payables increasing to £100.0m (2021: £73.9m), provisions decreasing to £5.4m (2021: £6.3m) as strategic land provisions unwind, contract liabilities decreasing to £4.0m (2021: £5.0m), arising from payments received for work not yet undertaken.

Net debt included cash and cash equivalents of £17.4m (2021: £11.1m), borrowings of £65.0m (2021: £50.0m) and lease liabilities of £1.0m (2021: £1.7m). In total, net debt was £48.6m (2021: 40.5m).

At 31 December 2022, the IAS 19 pension valuation has decreased over the year from a deficit of £12.2m to a surplus of £6.2m, driven by a significant decrease in the value placed on the liabilities. This is mainly the result of substantial increases in the corporate bond yields used to discount future benefit payments, which reduces the value placed on the liabilities. The pension scheme's assets continue to be invested globally, with high-quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks. They then make changes, as the Trustee considers appropriate, in conjunction with investment advice received.

Overall, the net assets of the Group increased by 11.0% to £394.3m (2021: £355.3m) from retained profits and the decrease in retirement benefit valuation less distributions to shareholders. NAV per share[3] increased 10.5% to 295p (2021: 267p).

Darren Littlewood
Chief Financial Officer

NOTES:

[1] Underlying profit 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 losses of £7.3m (2021: £4.6m gain) on wholly owned completed investment property and losses of £3.2m (2021: £1.2m gains) on completed investment property held in joint ventures. This APM has been introduced as it 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 is an APM and is defined as operating profit/capital employed where capital employed is the average of total assets less current liabilities and pension asset/obligation 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 7.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	2022 £'000	2021 £'000
Revenue	**341,419**	230,598
Cost of sales	**(259,829)**	(175,052)
Gross profit	**81,590**	55,546
Administrative expenses	**(36,143)**	(32,174)
Pension expenses	**(4,312)**	(6,039)
	41,135	17,333
(Decrease)/increase in fair value of investment properties	**(4,921)**	7,972
Profit on sale of investment properties	**646**	1,340
Loss on sale of assets held for sale	**(149)**	-
Share of profit of joint ventures and associates	**9,079**	8,928
Profit on disposal of joint ventures	**667**	-
Operating profit	**46,457**	35,573
Finance income	**1,641**	724
Finance costs	**(2,503)**	(1,155)
Profit before tax	**45,595**	35,142
Tax	**(7,725)**	(4,482)
Profit for the year from continuing operations	**37,870**	30,660

Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:		
Revaluation of Group occupied property	**315**	-
Deferred tax on property revaluations	**(23)**	(282)
Actuarial gain on defined benefit pension scheme	**14,994**	23,297
Deferred tax on actuarial gain	**(3,749)**	(4,840)
Total other comprehensive income not being reclassified to profit or loss in subsequent years	**11,537**	18,175
Total comprehensive income for the year	**49,407**	48,835
Profit for the year attributable to:		
Owners of the Parent Company	**33,319**	28,160
Non-controlling interests	**4,551**	2,500
	37,870	30,660
Total comprehensive income attributable to:		
Owners of the Parent Company	**44,856**	46,335
Non-controlling interests	**4,551**	2,500
	49,407	48,835
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**25.0p**	21.2p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**24.6p**	20.9p

UNAUDITED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	2022 £'000	2021 (restated[1]) £'000
ASSETS		
Non-current assets		
Intangible assets	**2,933**	3,716
Property, plant and equipment	**28,766**	26,349
Right-of-use assets	**997**	1,581
Investment properties	**97,116**	104,177
Investment in joint ventures and associates	**9,990**	12,165
Retirement benefit asset	**6,188**	-
Trade and other receivables	**37,029**	37,107
Deferred tax assets	**249**	3,389
	183,268	188,484
Current assets		
Inventories	**291,778**	235,296
Contract assets	**19,257**	7,556
Trade and other receivables	**66,601**	64,615
Current tax receivable	**-**	1,828
Cash	**17,401**	11,116
	395,037	320,411
LIABILITIES		
Current liabilities		
Trade and other payables	**95,827**	72,155
Contract liabilities	**4,006**	5,033
Current tax liabilities	**3,793**	-
Borrowings	**65,000**	50,000
Lease liabilities	**426**	639
Provisions	**4,003**	5,427
	173,055	133,254
NET CURRENT ASSETS	**221,982**	187,157
Non-current liabilities		

Trade and other payables	**4,568**	1,669
Lease liabilities	**607**	1,021
Retirement benefit obligations	**-**	12,228
Deferred tax liabilities	**4,401**	4,582
Provisions	**1,385**	855
	10,961	20,355
NET ASSETS	**394,289**	355,286
EQUITY		
Share capital	**13,763**	13,732
Property revaluation reserve	**2,352**	2,060
Retained earnings	**365,692**	328,348
Other reserves	**7,482**	6,744
Cost of shares held by ESOP trust	**(967)**	(1,044)
Equity attributable to owners of the Parent Company	**388,322**	349,840
Non-controlling interests	**5,967**	5,446
TOTAL EQUITY	**394,289**	355,286

[1] See note 1 to the financial statements

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Attributable to owners of the Parent Company							
Group	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2021	13,718	2,342	288,514	6,404	(1,176)	309,802	3,686	313,488
Profit for the year	—	—	28,160	—	—	28,160	2,500	30,660
Other comprehensive income	—	(282)	18,457	—	—	18,175	—	18,175
Total comprehensive income	—	(282)	46,617	—	—	46,335	2,500	48,835
Equity dividends	—	—	(7,620)	—	—	(7,620)	(740)	(8,360)
Proceeds from shares issued	14	—	—	340	—	354	—	354
Share-based payments	—	—	837	—	132	969	—	969
	14	—	(6,783)	340	132	(6,297)	(740)	(7,037)
At 31 December 2021	13,732	2,060	328,348	6,744	(1,044)	349,840	5,446	355,286
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	**13,763**	**2,352**	**365,692**	**7,482**	**(967)**	**388,322**	**5,967**	**394,289**

UNAUDITED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Cash generated from operations	**(16,549)**	(38,665)
Interest paid	**(1,829)**	(792)
Tax paid	**(2,918)**	(4,299)
Net cash flows from operating activities	**(21,296)**	(43,756)
Cash flows from investing activities		
Purchase of intangible assets	**—**	(203)
Purchase of property, plant and equipment	**(971)**	(861)
Purchase of investment property	**(9,301)**	(17,317)
Purchase of investment in associate	**(2,112)**	(2)

Proceeds on disposal of property, plant and equipment (excluding equipment held for hire)	**270**	301
Proceeds on disposal of assets held for sale	**10,987**	—
Proceeds on disposal of investment properties	**8,146**	6,651
Advances of loans to joint ventures and associates	**(8,560)**	(12,999)
Repayment of loans from joint ventures and associates	**10,904**	—
Proceeds on disposal of joint ventures	**6,873**	4,252
Interest received	**1,153**	129
Dividends received from joint ventures	**7,160**	2,155
Net cash flows from investing activities	**24,549**	(17,894)
Cash flows from financing activities		
Proceeds from shares issued	**769**	354
Movement in payables to joint ventures and associates	**355**	(701)
Repayment of borrowings	**(70,000)**	(14,969)
Proceeds from borrowings	**85,000**	55,000
Principal elements of lease payments	**(679)**	(683)
Dividends paid – ordinary shares	**(8,362)**	(7,599)
– non-controlling interests	**(4,030)**	(740)
– preference shares	**(21)**	(21)
Net cash flows from financing activities	**3,032**	30,641
Net increase/(decrease) in cash and cash equivalents	**6,285**	(31,009)
Net cash and cash equivalents at beginning of year	**11,116**	42,125
Net cash and cash equivalents at end of year	**17,401**	11,116

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Basis of preparation

These results for the year ended 31 December 2022 are unaudited. The financial information set out in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2022 or 31 December 2021 as defined by Section 434 of the Companies Act 2006.

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

The financial information for the year ended 31 December 2021 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The current auditors, Ernst & Young LLP, reported on those accounts and their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2022 will be finalised on the basis of the financial information presented by the Directors in these results and will be delivered to the Registrar of Companies following the AGM of Henry Boot PLC. The same accounting policies and methods of computation are followed as in the latest published audited accounts for the year ended 31 December 2021, which are available on the Group's website at www.henryboot.co.uk.

The following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2022:

		Effective from
IFRS 4 (amended 2020)	'Extension of the temporary exemption from applying IFRS 9'	Immediately available
IFRS 16 (amended 2021)	'Covid-19-related rent concessions beyond June 2021'	1 April 2021
IFRS 3 (amended 2020)	'Reference to the Conceptual Framework'	1 January 2022
IAS 16 (amended 2020)	'Proceeds before intended use'	1 January 2022
IAS 37 (amended 2020)	'Costs of fulfilling a contract'	1 January 2022
Annual Improvements (issued 2020)	'Annual improvements to IFRS standards 2018 - 2020'	1 January 2022

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

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

Prior year restatement of government loans, trade receivables and amounts owed by joint ventures and associates

The Group's borrowings and trade receivables have been restated for the period ended 31 December 2021. The Group previously recognised a government loan payable to the Homes and Communities Agency (HCA) amounting to £2,941,000 for infrastructure of a strategic land development. A corresponding trade receivable from the housebuilder was recognised on disposal of the land. 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 housebuilder. This has resulted in previously reported borrowings decreasing by £2,941,000 and trade receivables reducing by the same. There is no impact on the Consolidated Statement of Comprehensive Income, Statement of Changes in Equity or Statement of cash flows. The impact on the 31 December 2020 balance sheet would be to decrease borrowings and trade receivables by £2,941,000.

Amounts owed by joint ventures and associates have been restated for the period ended 31 December 2021. 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, £23,803,000 of amounts owed by joint ventures and associates at 31 December 2021 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. The impact on the 31 December 2020 balance sheet would be to reclassify £10,331,000 of current intercompany receivables to non-current intercompany receivables.

Going concern

In undertaking their going concern review, which covers the period to December 2024, the Directors considered the Group's principal risk areas that they consider material to the assessment of going concern.

As the UK economy moves at a slow pace, the Directors have assessed the Group's ability to operate in a more uncertain environment in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario including further curtailments in activities. This downside scenario shows a c.50% reduction in sales and c.67% reduction in profits from the base case. Construction and Development activity only takes place where contracted and likewise for Hallam Land where no sales are assumed in 2023 unless already contracted. For Stonebridge Homes a 10% decline in house prices is assumed along with a 25% reduction in the number of plots sold and Banner Plant revenue declines c.25%. This downside model assumes that acquisition and development spend is restricted other than that already committed and is all consistent with previous experience in recessionary environments. Having started 2023 with net debt of £48.6m, and with c.£63.2m net debt at 28 February 2023, against facilities of £105.0m the Directors have concluded that the Group is able to control the level of uncommitted expenditure, whilst delivering contracted schemes, allowing it to retain and even improve the cash position in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Group meets its day-to-day working capital requirements through a secured loan facility. The facility was renewed on 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. None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 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.

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

2. Segment information

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

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

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

Revenue	Property Investment and Development £'000	Land Promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
	2022					
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 and pension	**(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**

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

	2022 £'000	2021 (restated[1]) £'000
Segment assets		
Property Investment and Development	**355,491**	310,421
Land Promotion	**149,598**	142,655
Construction	**45,766**	43,205
Group overheads	**3,612**	2,323
	554,467	498,604
Unallocated assets		
Deferred tax assets	**249**	3,389
Current tax receivables	—	1,828
Retirement benefit asset	**6,188**	—
Cash and cash equivalents	**17,401**	11,116
Total assets	**578,305**	514,937
Segment liabilities		
Property Investment and Development	**59,113**	36,169
Land Promotion	**13,114**	11,523
Construction	**36,994**	40,418
Group overheads	**568**	3,071

	109,789	91,181
Unallocated liabilities		
Current tax liabilities	**3,793**	—
Deferred tax liabilities	**4,401**	4,582
Current lease liabilities	**426**	639
Current borrowings	**65,000**	50,000
Non-current lease liabilities	**607**	1,021
Retirement benefit obligations	—	12,228
Total liabilities	**184,016**	159,651
Total net assets	**394,289**	355,286

[1] See note 1 to the financial statements.

3. Tax

	2022 £'000	2021 £'000
Current tax:		
UK corporation tax on profits for the year	**8,690**	2,752
Adjustment in respect of earlier years	**(152)**	(1,683)
Total current tax	**8,538**	1,069
Deferred tax:		
Origination and reversal of temporary differences	**(813)**	3,457
Adjustment in respect of earlier years	—	105
Impact of rate change	—	(149)
Total deferred tax	**(813)**	3,413
Total tax	**7,725**	4,482

4. Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the year:		
Preference dividend on cumulative preference shares	**21**	21
Final dividend for the year ended 31 December 2021 of 3.63p per share (2020: 3.30p)	**4,822**	4,383
Interim dividend for the year ended 31 December 2022 of 2.66p per share (2021: 2.42p)	**3,540**	3,216
	8,383	7,620

The proposed final dividend for the year ended 31 December 2022 of 4.00p per share (2021: 3.63p) makes a total dividend for the year of 6.66p (2021: 6.05p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £5,300,000.

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

5. Investment properties

Fair value measurements recognised in the Statement of Financial Position

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2022 £'000**	2021 £'000	Increase/ (decrease) in year
Completed investment property						
Industrial	—	—	52,927	**52,927**	46,796	6,131
Leisure	—	—	9,208	**9,208**	9,598	(390)
Mixed-use	—	—	—	—	7,483	(7,483)
Residential	—	—	4,322	**4,322**	4,127	195
Office	—	—	6,275	**6,275**	9,938	(3,663)
Retail	—	—	14,466	**14,466**	17,235	(2,769)

	—	—	87,198	**87,198**	95,177	(7,979)
Investment property under construction						
Industrial	—	—	9,918	**9,918**	9,000	918
	—	—	9,918	**9,918**	9,000	918
Total carrying value	—	—	97,116	**97,116**	104,177	(7,061)

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

Explanation of the fair value hierarchy:

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

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

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

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

6. Share capital

	Authorised, allotted, issued and fully paid	
	2022 **£'000**	2021 £'000
400,000 5.25% cumulative preference shares of £1 each (2021: 400,000)	**400**	400
133,627,922 ordinary shares of 10p each (2021: 133,323,967)	**13,363**	13,332
	13,763	13,732

7. Cash generated from operations

	2022 **£'000**	2021 £'000
Profit before tax	**45,595**	35,142
Adjustments for:		
Amortisation of PFI asset	**579**	602
Goodwill impairment	**203**	203
Depreciation of property, plant and equipment	**3,957**	3,819
Depreciation of right-of-use assets	**597**	598
Revaluation decrease/(increase) in investment properties	**4,921**	(7,972)
Amortisation of capitalised letting fees	**25**	41
Share-based payment expense	**1,241**	968
Pension scheme credit	**(3,422)**	(920)
Profit on disposal of property, plant and equipment	**(176)**	(16)
Profit on disposal of equipment held for hire	**(1,070)**	(981)

Gain on disposal of investment properties	**(646)**	(1,340)
Loss on disposal of assets held for sale	**150**	—
Gain on disposal of joint ventures	**(667)**	—
Finance income	**(1,641)**	(724)
Finance costs	**2,503**	1,155
Share of profit of joint ventures and associates	**(9,079)**	(8,928)
Operating cash flows before movements in equipment held for hire	**43,070**	21,647
Purchase of equipment held for hire	**(5,454)**	(5,952)
Proceeds on disposal of equipment held for hire	**1,343**	1,159
Operating cash flows before movements in working capital	**38,959**	16,854
Increase in inventories	**(63,701)**	(36,025)
Increase in receivables	**(3,763)**	(22,643)
(Increase)/decrease in contract assets	**(11,701)**	5,772
Increase/(decrease) in payables and provisions	**24,684**	(226)
Decrease in contract liabilities	**(1,027)**	(2,397)
Cash flows from operations	**(16,549)**	(38,665)

	2022 £'000	2021 (restated[1]) £'000
Analysis of net debt:		
Cash and cash equivalents	**17,401**	11,116
Bank overdrafts	—	—
Net cash and cash equivalents	**17,401**	11,116
Bank loans	**(65,000)**	(50,000)
Lease liabilities	**(1,033)**	(1,660)
Net debt	**(48,632)**	(40,544)

[1] See note 1 to the financial statements.

8. Events after the balance sheet date

Since the balance sheet date the Group has proposed a final dividend for 2022, further information can be found in note 4.

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

9. These results were approved by the Board of Directors and authorised for issue on 21 March 2023.

10. The 2022 Annual Report and Financial Statements is to be published on the Company's website at www.henryboot.co.uk and sent out to those shareholders who have elected to continue to receive paper communications by no later than 24 April 2023. Copies will be available from The Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD.

11. The AGM of the Company is to be held at Double Tree by Hilton, Chesterfield Road South, Sheffield, S8 8BW on Thursday 25 May 2023, commencing at 12.30pm.