FINANCIAL STATEMENTS

Independent Auditors' Report

to the members of Henry Boot PLC

Opinion

In our opinion:

- Henry Boot PLC's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Henry Boot PLC (the 'Parent Company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise:

Group	Parent Company
Group statement of financial position as at 31 December 2020	Parent Company statement of financial position as at 31 December 2020
Consolidated statement of comprehensive income for the year then ended	Parent Company statement of changes in equity for the year then ended
Group statement of changes in equity for the year then ended	Parent Company statement of cash flows for the year then ended
Group statement of cash flows for the year then ended	Related notes 1 to 38 to the financial statements including a summary of significant accounting policies
Related notes 1 to 38 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key risk factors we identified were considered in their assessment;
- We obtained management's going concern assessment, including the cash forecast and forecast covenant calculation which covers the period to 31 December 2022. The Group has modelled a base scenario and then a severe but plausible downside scenario in their cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the Group.
- We have tested the factors and assumptions included in each modelled scenario for the cash forecast and covenant calculation and we have considered the impact of CV-19. We considered the appropriateness of the methods used to calculate the cash forecasts and covenant calculations and determined that they were appropriately sophisticated to be able to make an assessment on going concern.
- We considered the mitigating factors included in the cash forecasts and covenant calculations that are within control of the Group. This includes review of the Company's non-operating cash outflows. We also verified the credit facilities available to the Group.
- We have performed reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period.
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and Parent Company's ability to continue as a going concern to 31 December 2022.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of six components and audit procedures on specific balances for a further five components. • The components where we performed full or specific audit procedures accounted for 94% of Profit before tax, 97% of Revenue and 93% of Total assets
Key audit matters	• Valuation of contract balances and associated revenue and profit recognition • Valuation of house building inventories • Valuation of investment properties
Materiality	• Overall group materiality of £1.9m which represents 5% of normalised profit before tax. Due to the impact of CV-19 on the business, our materiality is based on the average profit before tax over the past three years.
First year transition	• The year ended 31 December 2020 is our first as auditor of the Group. We commenced transition subsequent to our appointment on 30 June 2020. Our transition activities focused on evaluating key accounting judgements and the Group's accounting policies, undertaking a review of the predecessor auditor's files to consider the nature, timing and extent of audit procedures performed in the prior year to be satisfied with the comparatives presented and understanding and walking through the key processes of the Group.

An overview of the scope of the Parent Company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 45 reporting components of the Group, we selected eleven components, which represent the principal business units within the Group.

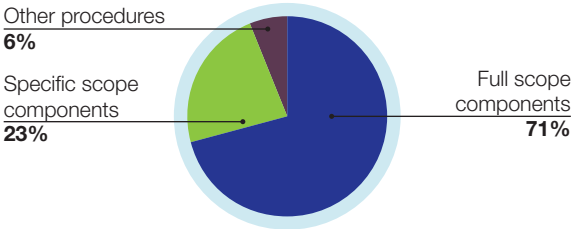
Of the eleven components selected, we performed an audit of the complete financial information of six components ("full scope components") which were selected based on their size or risk characteristics. For the remaining five components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 94% of the Group's Profit before tax, 97% of the Group's Revenue and 93% of the Group's Total assets. For the current year, the full scope components contributed 71% of the Group's Profit before tax, 92% of the Group's Revenue and 85% of the Group's Total assets. The specific scope components contributed 23% of the Group's Profit before tax, 5% of the Group's Revenue and 8% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of profit before tax, revenue and total assets tested for the Group.

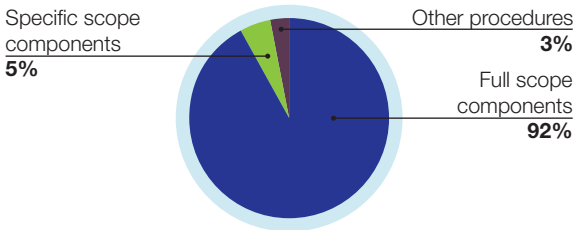
Of the remaining 34 components that together represent 6% of the Group's Profit before tax, none are individually greater than 1% of the Group's Profit before tax. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

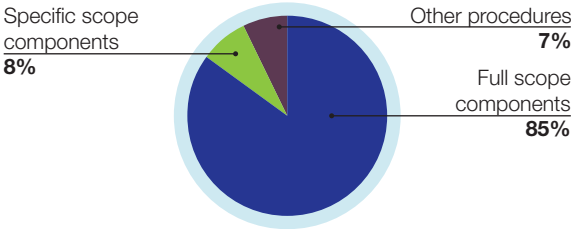
Profit before tax (or adjusted PBT measure used



Revenue



Total assets



All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Independent Auditors' Report

to the members of Henry Boot PLC

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of contract balances and associated revenue and profit recognition *Refer to the Audit & Risk Committee Report (page 102); Accounting policies (page 150); and Note 1, 17 and 22 of the Consolidated Financial Statements (page 157, 175,177)* The Group has reported revenues from construction and development contracts for the year of £123.9 (2019: £195.7m). The Group has reported contract assets of £13.3m (2019: £19.1m) and contract liabilities of £7.4m (2019: £9.9m). For Construction and Development contract activity the performance obligation is satisfied over time. This means that revenue is recognised by measuring the progress towards completing the performance obligation satisfactorily. This assessment requires management to estimate the stage of completion of Construction and Development contract activity and assess costs to complete. Forecasting is highly subjective and is an area that could lead to misstatement of revenue, profit and related construction and development contract balances either through error or management bias.	For a sample of contracts, we evaluated management's revenue and profit recognition and the related contract assets and liabilities by performing the following procedures: • We performed walkthroughs to understand the key processes and identify key controls; • We agreed key contractual terms to customer contracts; • We agreed total revenue for the contract to the signed contract and approved variation orders; • We held meetings with in-house surveyors to understand the status,performance to date of the contracts and the basis for the cost to complete assumptions made; • We challenged management's forecast of costs to complete by analysing historical forecasting accuracy through reviewing the movement in forecast margins to their final actual margins on completed contracts; • We obtained post year end contract valuation schedules to identify unfavourable margin movements and where necessary that this post year end informaiton was reflected in the year end assessments; • We tested a sample of costs incurred in the year to third party supporting evidence and validated that the cost had been allocated to the appropriate contract; • We recalculated the percentage completion of the project and the revenue and margin recognised in the year; • We tested the amounts invoiced on contracts to underlying payment applications/certificates and to cash receipt where possible and assessed any contract assets for recoverability; and • We discussed projects with in-house surveyors and the Group legal department to identify any claims that may impact on cost to complete. For those sample projects that were incomplete at the balance sheet date, we also performed a virtual tour to gain a deeper understanding of the projects and to evaluate the stage of completion.	Based on our audit procedures we have concluded that the contract balances, revenue and profit recognised in the year are not materially misstated.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of House Building inventories *Refer to the Audit & Risk Committee Report (page 102); Accounting policies (page 153); and Note 20 of the Consolidated Financial Statements (page 177)* The Group holds house building inventories of £39.2m (2019: £36.3m). There is a risk that the carrying value of WIP and land in relation to the housebuilding part of the Group is misstated. Inventory is held at cost less amount recognised within cost of sales. The carrying value of inventories is therefore determined by reference to expected future sales value and cost to complete assumptions which are subject to estimation.	For a sample of development sites, we performed the following procedures: • We performed walkthroughs to understand the key processes and identify key controls; • We held meetings with in-house surveyors to understand the status and performance to date of the sites and the basis for the sales and cost to complete assumptions made; • We verified sales price assumptions against recent market activity and to consider if recent market activity provided an contra-evidence; • We compared the estimated and actual costs and margin for completed sites to assess the historical accuracy of management's forecasting and to evaluate the appropriateness of the forecast margin for incomplete sites at the balance sheet date; • We agreed a sample of costs incurred during the year (included as additions to work in progress) to third party invoices as well as reviewing the proportion of that expenditure recognised as a cost of sale in the year in respect of units sold. • We agreed a sample of land additions in the period to third party agreements and cash payment; • We tested the allocation of costs incurred during the year to confirm that these were allocated to the correct site; and • We assessed the completeness of inventory provisions by performing sensitivity analysis on active sites and post year end sales activity. For those sample projects that were not substantially complete at the balance sheet date, we visited sites to gain a deeper understanding of the sites and evaluate the stage of completion.	Based on our audit procedures we have concluded that the inventory balance and profit recognised in the year are not materially misstated.

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to the members of Henry Boot PLC

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of investment properties *Refer to the Audit & Risk Committee Report (page 102); Accounting policies (page 152); and Note 14 of the Consolidated Financial Statements (page 168 to 172)* The Group has holds Investment property of £82.7m (2019: £70.0m). There is a risk that the carrying value of investment properties is misstated, given the uncertainties inherent in the valuations including estimated rental values, yields, cost to complete and land values per acre.	For a sample of investment properties, we performed the following procedures: • We performed walkthroughs to understand the key processes and identify key controls; • For completed investment property valued by an external valuer, we assessed the appropriateness of the valuations, with the assistance of our EY Valuations specialists. We assessed these through reading the external valuer reports and testing the underlying data used by the external valuer in forming their valuation including; benchmarking, validating key assumptions to supporting third party evidence or market activity and considering contrary evidence; and • For a sample of properties in the course of construction, valued by management, we agreed rental assumptions to pre letting agreements, tested a sample of costs incurred to third party invoices and evaluated the appropriateness of costs to complete.	Based on our audit procedures we have concluded that the investment property balance and fair value movement recognised in the year are not materially misstated.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1.9 million, which is 5% of normalised profit before tax. Due to the impact of CV-19 on the business, our materiality is based on the average profit before tax over the past three years. We believe that normalised profit before tax provides us with an appropriate basis for materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors. The predecessor auditor determined materiality to be £3.6 million, based on 0.8% of total assets in the prior year.

We determined materiality for the Parent Company to be £1.6 million, which is 2% of equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £0.95m. We have set performance materiality at this level as this is the first year of our audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.19m to £0.95m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 133 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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to the members of Henry Boot PLC

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the company

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 53;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 54;
- Directors' statement on fair, balanced and understandable set out on page 133;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 48 to 53;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 102 to 104; and;
- The section describing the work of the Audit and Risk committee set out on pages 100 to 102

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 133, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

IIrregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK.
- We understood how Henry Boot PLC is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Group management and Internal Audit; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the company on 30 June 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria Venning
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020 £'000	Restated[1] 2019 £'000
Revenue	1	**222,411**	379,693
Cost of sales		**(181,944)**	(298,711)
Gross profit		**40,467**	80,982
Administrative expenses		**(28,791)**	(29,681)
Pension expenses	4	**(4,552)**	(4,475)
		7,124	46,826
Increase in fair value of investment properties	14	**1,266**	2,370
Loss on sale of investment properties		**(97)**	(238)
Loss on sale of assets held for sale		**—**	(56)
Share of profit of joint ventures and associates	16	**1,756**	1,448
Profit on disposal of joint ventures and subsidiaries	37	**7,426**	—
Operating profit	3	**17,475**	50,350
Finance income	5	**721**	494
Finance costs	6	**(1,117)**	(1,740)
Profit before tax		**17,079**	49,104
Tax	7	**(3,354)**	(9,649)
Profit for the year from continuing operations		**13,725**	39,455
Other comprehensive expense not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	**(651)**	(404)
Actuarial loss on defined benefit pension scheme	28	**(15,713)**	(7,937)
Deferred tax on actuarial loss	19	**3,089**	1,350
Total other comprehensive expense not being reclassified to profit or loss in subsequent years		**(13,275)**	(6,991)
Total comprehensive income for the year		**450**	32,464
Profit for the year attributable to:			
Owners of the Parent Company		**11,921**	37,596
Non-controlling interests		**1,804**	1,859
		13,725	39,455
Total comprehensive income attributable to:			
Owners of the Parent Company		**(1,354)**	30,605
Non-controlling interests		**1,804**	1,859
		450	32,464
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**9.0p**	28.3p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**8.9p**	28.1p

[1] See 'change in accounting policies' on page 148.

Statements of Financial Position

as at 31 December 2020

	Note	Group 2020 £'000	Group 2019 £'000	Parent Company 2020 £'000	Parent Company 2019 £'000
Assets					
Non-current assets					
Intangible assets	11	**4,318**	6,823	**—**	—
Property, plant and equipment	12	**23,818**	22,015	**182**	331
Right-of-use assets	13	**2,110**	6,085	**137**	160
Investment properties	14	**82,723**	70,002	**—**	—
Investments	15	**—**	—	**38,021**	38,021
Investment in joint ventures and associates	16	**5,840**	6,634	**—**	—
Trade and other receivables	18	**7,194**	17,238	**—**	—
Deferred tax assets	19	**7,342**	4,538	**7,347**	4,255
		133,345	133,335	**45,687**	42,767
Current assets					
Inventories	20	**200,789**	169,749	**—**	—
Contract assets	17	**13,328**	19,085	**—**	—
Trade and other receivables	18	**65,032**	90,777	**135,640**	128,364
Cash and cash equivalents		**42,125**	42,303	**31,615**	37,316
		321,274	321,914	**167,255**	165,680
Liabilities					
Current liabilities					
Trade and other payables	23	**72,727**	70,763	**93,110**	82,961
Contract liabilities	22	**7,430**	9,876	**—**	—
Current tax liabilities		**1,129**	4,680	**386**	2,958
Borrowings	26	**2,941**	9,981	**1,421**	1,012
Lease liabilities	13	**603**	2,052	**54**	57
Provisions	27	**4,852**	5,315	**—**	—
		89,682	102,667	**94,971**	86,988
Net current assets		**231,592**	219,247	**72,284**	78,692
Non-current liabilities					
Trade and other payables	23	**2,346**	6,148	**—**	—
Borrowings	26	**9,969**	717	**—**	—
Lease liabilities	13	**1,613**	2,585	**86**	108
Retirement benefit obligations	28	**36,445**	22,965	**36,445**	22,965
Provisions	27	**1,076**	1,681	**—**	—
		51,449	34,096	**36,531**	23,073
Net assets		**313,488**	318,486	**81,440**	98,386
Equity					
Share capital	30	**13,718**	13,717	**13,718**	13,717
Property revaluation reserve	31	**2,342**	2,993	**—**	—
Retained earnings	31	**288,514**	293,593	**61,357**	78,390
Other reserves	31	**6,404**	6,390	**7,541**	7,527
Cost of shares held by ESOP trust	32	**(1,176)**	(1,248)	**(1,176)**	(1,248)
Equity attributable to owners of the Parent Company		**309,802**	315,445	**81,440**	98,386
Non-controlling interests		**3,686**	3,041	**—**	—
Total equity		**313,488**	318,486	**81,440**	98,386

The Parent Company made a profit for the year of £552,000 (2019: £12,350,000).

The Financial Statements on pages 144 to 195 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 16 April 2021.

On behalf of the Board

Tim Roberts
Director

Darren Littlewood
Director

Statements of Changes in Equity

for the year ended 31 December 2020

		Attributable to owners of the Parent Company							
Group	Note	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2019		13,715	3,397	276,999	6,347	(1,260)	299,198	3,114	302,312
Change in accounting policy[1]		—	—	(154)	—	—	(154)	—	(154)
Restated at 1 January 2019		13,715	3,397	276,845	6,347	(1,260)	299,044	3,114	302,158
Profit for the year	31	—	—	37,596	—	—	37,596	1,859	39,455
Other comprehensive expense		—	(404)	(6,587)	—	—	(6,991)	—	(6,991)
Total comprehensive income/ (expense)		—	(404)	31,009	—	—	30,605	1,859	32,464
Equity dividends	10	—	—	(12,621)	—	—	(12,621)	(2,445)	(15,066)
Proceeds from shares issued		2	—	—	43	—	45	—	45
Purchase of treasury shares	32	—	—	—	—	(598)	(598)	—	(598)
Acquisition of subsidiary		—	—	—	—	—	—	(1,343)	(1,343)
Purchase of non-controlling interest	35	—	—	(1,856)	—	—	(1,856)	1,856	—
Share-based payments	31, 32	—	—	216	—	610	826	—	826
		2	—	(14,261)	43	12	(14,204)	(1,932)	(16,136)
At 31 December 2019		13,717	2,993	293,593	6,390	(1,248)	315,445	3,041	318,486
Profit for the year	31	**—**	**—**	**11,921**	**—**	**—**	**11,921**	**1,804**	**13,725**
Other comprehensive expense		**—**	**(651)**	**(12,624)**	**—**	**—**	**(13,275)**	**—**	**(13,275)**
Total comprehensive income/ (expense)		**—**	**(651)**	**(703)**	**—**	**—**	**(1,354)**	**1,804**	**450**
Equity dividends	10	**—**	**—**	**(4,664)**	**—**	**—**	**(4,664)**	**(1,159)**	**(5,823)**
Proceeds from shares issued		**1**	**—**	**—**	**14**	**—**	**15**	**—**	**15**
Purchase of treasury shares	32	**—**	**—**	**—**	**—**	**(615)**	**(615)**	**—**	**(615)**
Share-based payments	31, 32	**—**	**—**	**288**	**—**	**687**	**975**	**—**	**975**
		1	**—**	**(4,376)**	**14**	**72**	**(4,289)**	**(1,159)**	**(5,448)**
At 31 December 2020		**13,718**	**2,342**	**288,514**	**6,404**	**(1,176)**	**309,802**	**3,686**	**313,488**

Parent Company	Note	Share capital £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total equity £'000
At 1 January 2019		13,715	85,513	7,484	(1,260)	105,452
Change in accounting policy[1]		—	(7)	—	—	(7)
Restated at 1 January 2020		13,715	85,506	7,484	(1,260)	105,445
Profit for the year	8	—	12,350	—	—	12,350
Other comprehensive expense		—	(6,589)	—	—	(6,589)
Total comprehensive income		—	5,761	—	—	5,761
Equity dividends	10	—	(12,621)	—	—	(12,621)
Proceeds from shares issued		2	—	43	—	45
Purchase of treasury shares	32	—	—	—	(598)	(598)
Share-based payments	32	—	(256)	—	610	354
		2	(12,877)	43	12	(12,820)
At 31 December 2019		13,717	78,390	7,527	(1,248)	98,386
Profit for the year	8	**—**	**552**	**—**	**—**	**552**
Other comprehensive expense		**—**	**(12,624)**	**—**	**—**	**(12,624)**
Total comprehensive expense		**—**	**(12,072)**	**—**	**—**	**(12,072)**
Equity dividends	10	**—**	**(4,664)**	**—**	**—**	**(4,664)**
Proceeds from shares issued		**1**	**—**	**14**	**—**	**15**
Purchase of treasury shares	32	**—**	**—**	**—**	**(615)**	**(615)**
Share-based payments	32	**—**	**(297)**	**—**	**687**	**390**
		1	**(4,961)**	**14**	**72**	**(4,874)**
At 31 December 2020		**13,718**	**61,357**	**7,541**	**(1,176)**	**81,440**

1. The Group adopted IFRS 16 'Leases' retrospectively from 1 January 2019 but did not restate comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

Statements of Cash Flows

for the year ended 31 December 2020

	Note	Group 2020 £'000	Group 2019 £'000	Parent Company 2020 £'000	Parent Company 2019 £'000
Cash flows from operating activities					
Cash generated from operations	33	**21,136**	21,525	**(5,578)**	46,478
Interest paid		**(728)**	(1,341)	**(2,232)**	(2,943)
Tax paid		**(6,597)**	(8,459)	**(4,477)**	(6,356)
Net cash flows from operating activities		**13,811**	11,725	**(12,287)**	37,179
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	35	**—**	(152)	**—**	—
Purchase of intangible assets	11	**(283)**	(491)	**—**	—
Purchase of property, plant and equipment	12	**(924)**	(1,471)	**(54)**	(84)
Capital expenditure on investment property		**(11,962)**	(14,060)	**—**	—
Proceeds on disposal of investment in associate		**—**	1,500	**—**	—
Proceeds on disposal of property, plant and equipment		**279**	365	**—**	—
Proceeds on disposal of investment properties		**627**	22,542	**—**	—
Proceeds on disposal of assets held for sale		**—**	44,550	**—**	—
Proceeds on disposal of investment in joint ventures		**2,798**	—	**—**	—
Interest received		**512**	494	**3,665**	5,552
Dividends received from joint ventures and subsidiaries		**2,200**	—	**7,897**	17,180
Net cash flows from investing activities		**(6,753)**	53,277	**11,508**	22,648
Cash flows used in financing activities					
Proceeds from shares issued		**15**	46	**15**	45
Purchase of treasury shares	32	**(615)**	(598)	**(615)**	(598)
Repayment of borrowings		**(1,942)**	(59,368)	**—**	(45,000)
Proceeds from new borrowings		**4,153**	43,777	**—**	30,028
Principal elements of lease payments		**(3,024)**	(2,346)	**(67)**	(96)
Dividends paid – ordinary shares	10	**(4,643)**	(12,600)	**(4,643)**	(12,600)
– non-controlling interests		**(1,159)**	(2,445)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows used in financing activities		**(7,236)**	(33,555)	**(5,331)**	(28,242)
Net (decrease)/increase in cash and cash equivalents		**(178)**	31,447	**(6,110)**	31,585
Cash and cash equivalents at beginning of year		**42,303**	10,856	**36,304**	4,719
Cash and cash equivalents at end of year		**42,125**	42,303	**30,194**	36,304

Principal Accounting Policies

for the year ended 31 December 2020

The principal Accounting Policies adopted in the preparation of the Group's Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

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, England, United Kingdom S11 9PD.

Basis of preparation and statement of compliance

The Consolidated Financial Statements of the Group and the Financial Statements of the Parent Company have been prepared in accordance with International Accounting Standards in conformity with the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. They have been prepared on the historical cost basis, except for financial instruments, investment properties and Group occupied land and buildings, which are measured at fair value.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented a statement of comprehensive income for the Parent Company alone. See note 8.

Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year with the exception of the Group's definition of operating profit. In the current year, we have reclassified 'share of profit of joint ventures and associates' into operating profit. This is to reflect that our use of joint ventures and associates has gradually moved such that they are now integral to our business model and underpin our core operational business activities. The Directors therefore believe that classifying these lines into operating profit provides more reliable and relevant information to the users of the financial statements. For comparability purposes, the prior year amounts have been restated, leading to operating profit increasing from £48.9m to £50.4m. There is no overall impact on profit before tax or the balance sheet.

Consolidation

The Consolidated Financial Statements are a consolidation of the Financial Statements of the Parent Company and all entities controlled by the Company (its subsidiaries) made up to 31 December each year. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the Accounting Policies used in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or to the effective date of disposal. Non-controlling interests in the fair value of the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Going concern

Following the third national lockdown and ongoing impact of CV-19 the Directors have further considered its potential impact on the Group in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario to include a curtailment of activity where no sales from the Construction or Developments businesses, are made unless already committed. For Hallam Land, no sales are assumed in 2021 unless already contracted, with a c20% reduction in sales from the base case for 2022. For Stonebridge Homes a 5% decline in house prices is assumed throughout the assessment period and Banner Plant is assumed to mirror depressed activity levels in 2020. This downside model assumes that acquisition and development spend is restricted other than that already committed. Having started 2021 in a £27m net cash position, a position which has been improved upon over the first part of 2021 with c£38m net cash held by the Group and facilities of £75m, at 26 February 2021, the Directors have concluded that the Group is able to control the level of uncommitted expenditure, allowing it to retain cash and position itself well in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Company meets its day-to-day working capital requirements through a secured loan facility (note 25). The facility was renewed on the 23 January 2020, at a level of £75m, for a period of three years and extended in January 2021 by one year to 23 January 2024 on the same terms as the existing agreement. The facility includes an accordion to increase the facility by up to £30m, which can be requested by the Company at a time of its choosing. None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 14% reduction in revenue and near 36% reduction in profit before tax from our base case for 2021, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2022.

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. Further detail is contained in the Strategic Report on pages 53 to 54.

Operating segments

The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Board of Henry Boot PLC (the 'Board').

Management has determined the operating segments based on the reports reviewed by the Board in making strategic decisions.

The Board considers the business based on the following operating segments:

- Property Investment and Development, inclusive of property investment, property development, housebuilding and associated trading activities;
- Land Promotion, inclusive of land management, development and trading activities; and
- Construction, inclusive of its PFI company, social housing and plant hire activities.

Whilst the following is not a reportable segment, information about it is considered by the Board in conjunction with the reportable segments:

- Group overheads, comprising central services, pensions, head office administration, in-house leasing and financing activities.

Joint ventures and associates

Joint ventures are all entities in which the Group has shared control with another entity, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Jointly ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of profits or losses is recognised in the Consolidated Statement of Comprehensive Income. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recoverable or there are further commitments to provide funding. Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in them. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the joint ventures and associates are consistent with those of the Group.

Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Subsequent changes in fair value of contingent consideration classified as a financial asset or financial liability are accounted for in accordance with IFRS 9. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised in the Consolidated Statement of Comprehensive Income as incurred.

Goodwill arising on consolidation of subsidiary undertakings is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any accumulated impairment losses. 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. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which goodwill arose.

Critical judgements and estimates

The critical judgements and estimates in applying the Group's Accounting Policies that have the most significant effect on the amounts recognised in the Financial Statements, apart from those noted below, relate to revenue recognition and inventories. These are referred to on pages 151 to 153 and each is interpreted by management in the light of IFRS 15 'Revenue from Contracts with Customers' and IAS 2 'Inventories'.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, and that could have a material adjustment to the carrying amounts of assets and liabilities over the ensuing year, are:

- Retirement benefit costs — the estimates used in retirement benefit costs are arrived at in conjunction with the scheme's actuary and advisers, those having the most significant impact being the liabilities discount rate, RPI and mortality rates. Note 28 to the Financial Statements gives details of the sensitivity surrounding these estimates;
- Fair value of investment properties and of Group occupied properties — the fair value of completed investment property and of Group occupied property is determined by independent valuation experts using the yield method valuation technique. The fair value of investment property under construction has been determined using the residual method by the Directors of the Company. The most significant estimates used in these valuations are rental values, yields and costs to complete. Notes 12 and 14 to the Financial Statements give details of the valuation methods used and the sensitivity surrounding these estimates; and
- Provisions — amounts recognised in relation to provisions are based on assumptions in respect of cost estimates, the timing of cash flows and discount rates used. Note 27 to the Financial Statements gives details of the sensitivity surrounding these estimates.

Principal Accounting Policies

for the year ended 31 December 2020

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. Where consideration is not specified within the contract and therefore subject to variability, the Group estimates the amount of consideration to be received from its customer. The consideration recognised is the amount which is highly probable not to result in a significant reversal in future periods. Where a modification to an existing contract occurs, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied by the Group or whether it is a modification to the existing performance obligation.

The Group has some contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. The Group adjusts its transaction price for the time value of money.

The Group's activities are wide-ranging, and as such, depending on the nature of the product or service delivered and the timing of when control is passed to the customer, the Group will account for revenue over time or at a point in time. Where revenue is measured over time, the Group uses the input method to measure progress of delivery.

Product and Service	Nature, timing of satisfaction of performance obligations and significant payment terms.
Construction contracts	Typically, the Group's construction contracts consist of one performance obligation, being delivery of the construction works. However, for certain contracts (for example where contracts involve separate phases or products that are not highly interrelated), multiple performance obligations exist. Where multiple performance obligations exist, total revenue is allocated to performance obligations based on the relative standalone selling prices of each performance obligation. Revenue attributed to each performance obligation is recognised over time based on the percentage of completion, as the benefit is transferred to the customer, reflecting the enhancement in value of the customer's asset. The percentage of completion is calculated as the costs incurred to date as a percentage of the total costs expected to satisfy the performance obligation. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the percentage of completion calculation in the period in which the circumstances that give rise to the revision become known. Losses are recorded in full when the unavoidable costs of fulfilling a contract exceed the economic benefits. Any revenues recognised in excess of amounts invoiced are recognised as contract assets within current assets. Any payments received in excess of revenue recognised are recognised as contract liabilities within current liabilities.
Sale of land and properties	Revenue from the sale of land and properties is generally a single performance obligation which is satisfied at the point in time when control of the land and properties has passed, typically on legal completion when legal title has transferred. Land and properties are treated as disposed when control of the asset is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion. Variable consideration such as overages are estimated based on the amount of consideration the Group expects to be entitled to, taking into account the terms which may give rise to variability and it is only recognised where it is highly probable there will not be a significant future reversal. This is estimated at contract inception and reassessed over the life of the contract. Revenue includes the fair value of consideration received or receivable on the sale of part exchange properties.
PFI Concession	Revenue from the Group's PFI concession is recognised at the point in time, by the calculation of 'shadow tolls' based on individual vehicle usage of the A69. The concession is accounted for in accordance with IFRIC 12 'Service Concession Arrangements' using the intangible asset model.
Operating leases (recognised as income under IFRS 16 'Leases')	Revenue from operating leases is recognised on a straight-line basis over the lease term, except for contingent rental income which is recognised in the period in which it was earned. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction to revenue.
Plant and equipment hire (recognised as income under IFRS 16 'Leases')	Revenue from plant and equipment hire is measured as the fair value of rental proceeds which relate to the period of account.

Critical judgements and estimates in applying IFRS 15 Revenue from Contracts with Customers

The following are the critical judgements and estimates in applying accounting policies that the Directors have made in the process of applying IFRS 15 Revenue from Contracts with Customers and that have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

Estimates in determining the recognition of revenue on construction contracts over time – construction contract revenue is recognised in accordance with the stage of completion of the contract where the contract's outcome can be estimated reliably. The principal method used to recognise the stage of completion is the input method. The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract by an in-house or external survey of the work.

Judgement in determining the recognition of revenue at a point in time on land sale contracts – there is often judgement involved in evaluating when a customer obtains control of land during a sale, particularly where the contract includes licensing, risk or deferred payment term clauses. In determining the revenue recognition the Directors consider the present right for payment, legal title, physical possession, risks and rewards of ownership and acceptance of the asset in forming their opinion. Where necessary third party advice is taken.

Interest income and expense

Interest income and expense are recognised within 'Finance income' and 'Finance costs' in the Consolidated Statement of Comprehensive Income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen not to capitalise borrowing costs on all qualifying assets which are measured at fair value.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Leasing

Where the Group acts as a lessor in the case of operating leases, rentals receivable are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases

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

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

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

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

Share-based payments

Equity-settled share-based payments to employees of the Company and its subsidiary undertakings are measured at fair value of the equity instruments at the date of grant and are expensed on a straight-line basis over the vesting period. Fair value is measured by a Monte Carlo pricing model, taking into account any market performance conditions and excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30. At each reporting period date, the Group estimates the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity reserves.

SAYE share options are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

Details regarding the determination of the fair value of share-based transactions are set out in note 30.

Principal Accounting Policies

for the year ended 31 December 2020

Intangible assets excluding goodwill

Intangible assets are stated at cost less accumulated amortisation and impairment. The PFI asset which is accounted for under IFRIC 12 'Service Concession Arrangements' represents the capitalised cost of the initial project, together with the capitalised cost of any additional major works to the road and structures, which are then amortised, on a straight-line basis, over 20 years or the remaining life of the concession. The concession lasts a period of 30 years and has a further five years to run.

Property, plant and equipment

Group occupied properties are stated in the Statement of Financial Position at their revalued amounts, being the fair value, based on market values, less any subsequent accumulated depreciation or subsequent accumulated impairment loss. Fair value is determined annually by independent valuers. Surpluses on revaluations are recorded in OCI and credited to the revaluation reserve. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to profit or loss in the Consolidated Statement of Comprehensive income.

In respect of land and buildings, depreciation is provided where it is considered significant, having regard to the estimated remaining useful lives and residual values of individual properties.

Equipment held for hire, vehicles and office equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset plus any costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, mainly at the following annual rates:

- Equipment held for hire – between 10% and 50%
- Vehicles – between 10% and 25%
- Office equipment – between 25% and 33%

Investment property

Investment properties are those properties which are not occupied by the Group and which are held for long-term rental yields, capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment properties are initially measured at cost, including related transaction costs.

At each subsequent reporting date, investment properties are remeasured to their fair value; further information regarding the valuation methodologies applied can be found in note 14 to the Financial Statements. Movements in fair value are included in the Consolidated Statement of Comprehensive Income.

Where the Group employs professional valuers, the valuations provided are subject to a comprehensive review to ensure they are based on accurate and up-to-date tenancy information. Discussions are also held with the valuers to test the valuation assumptions applied and comparable evidence utilised to ensure they are appropriate in the circumstances.

Subsequent expenditure is capitalised to the asset's carrying value only where it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other expenditure is expensed to the Consolidated Statement of Comprehensive Income in the period in which it arises.

Investment property is derecognised when it is disposed of at its carrying value.

Where specific investment properties have been identified as being for sale within the next 12 months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets classified as held-for-sale within current assets, measured in accordance with the provisions of IAS 40 'Investment Property'.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value and are subject to regular impairment reviews.

Inventories comprise developments in progress, land held for development or sale, options to purchase land and planning promotion agreements.

- Property developments in progress includes properties being developed for onward sale.
- Housebuilder land and work in progress includes construction of residential housing for onward sale.
- Land held for development or sale is land owned by the Group that is promoted through the planning process in order to gain planning permission, adding value to the land.
- Options to purchase land are agreements that the Group entered into with the landowners whereby the Group has the option to purchase the land within a limited time frame. The landowners are not generally permitted to sell to any other party during this period, unless agreed to by the Group. Within the time frame the Group promotes the land through the planning process at its expense in order to gain planning permission. Should the Group be successful in obtaining planning permission it would trigger the option to purchase and subsequently sell on the land.
- Planning promotion agreements are agreements that the Group has entered into with the landowners, whereby the Group acts as an agent to the landowners in exchange for a fee of a set percentage of the proceeds or profit of the eventual sale. The Group promotes the land through the planning process at its own expense. If the land is sold the Group will receive a fee for its services.
- The Group capitalises various costs in promoting land held under planning promotion agreements. In some instances the agreements allow for the Group to be reimbursed certain expenditure following the conclusion of a successful sale, at which point inventory is reduced by the value of the reimbursed cost. These costs are held in inventory at the lower of cost and estimated net realisable value.

Inventories comprise all the direct costs incurred in bringing the individual inventories to their present state at the reporting date, including any reimbursable promotion costs, less the value of any impairment losses.

Impairment reviews are considered on a site-by-site or individual development basis by management at each reporting date; write-downs or reversals are made to ensure that inventory is then stated at the lower of cost or net realisable value.

Net realisable value is considered in the light of progress made in the planning process, feedback from local planning officers, development appraisals and other external factors that might be considered likely to influence the eventual outcome. Where it is considered that no future economic benefit will arise, costs are written off to the Consolidated Statement of Comprehensive Income.

Where individual parcels of land held for development are disposed of out of a larger overall development site, costs are apportioned based on an acreage allocation after taking into account the cost or net realisable value of any remaining residual land which may not form part of the overall development site or which may not be available for development. Where the Group retains obligations attached to the development site as a whole, provisions are made relating to these disposals on the same acreage allocation basis.

Critical judgements and estimates in applying IAS 2 Inventories

The following are the critical judgements in applying accounting policies that the Directors have made in the process of applying IAS 2 Inventories and that have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

Judgement in determining the carrying value of work in progress inventory – there is often judgement involved in forecasting future costs to complete and selling prices which can be affected by market conditions and unexpected events. In determining the carrying value the Directors consider previous experience, communications with suppliers and market trends in forming their opinion. Where necessary third party advice is taken.

Assets classified as held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, or fair value in the case of Investment Property, if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Principal Accounting Policies

for the year ended 31 December 2020

Tax

The tax charge on the profit or loss for the year comprises the sum of tax currently payable and any deferred tax movements in the year.

Tax currently payable is based on taxable profit for the year adjusted for any tax payable or repayable in respect of earlier years. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and items that may never be taxable or deductible.

The Group's liability for current taxation is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Corporation tax liabilities of wholly owned subsidiary companies are transferred to and paid by the Parent Company and credit is given by the Parent Company for loss relief surrendered.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in computing taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits or gains will be available to allow all or part of the assets to be recovered.

The carrying value of the Group's investment property is assumed to be realised by sale and the deferred tax is then calculated based on the respective temporary differences and tax consequences arising from this assumption.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and deferred tax liabilities are offset where the Group has a legally enforceable right to do so and when the deferred tax assets and liabilities relate to tax levied by the same tax authority where there is an intention to settle the balances on a net basis.

Financial instruments

The Group retains such financial instruments as are required, together with retained earnings, in order to finance the Group's operations.

Financial assets or financial liabilities are recognised by the Group in the Statement of Financial Position only when the Group becomes a party to the contractual provisions of the instrument.

The principal financial instruments are:

- Trade and other receivables are measured initially at fair value and then amortised cost — where the time value of money is material, receivables are amortised using the effective interest rate method (see Interest income and expense on page 151). IFRS 9's simplified approach to provisioning is used to calculate the Group's lifetime expected credit loss;
- Cash and cash equivalents, which comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value with an original maturity of three months or less;
- Trade and other payables which are on normal credit terms, are not interest bearing and are stated at their nominal values — where the time value of money is material, payables are carried at amortised cost using the effective interest rate method (see Interest income and expense on page 151); and
- Borrowings — see below.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred and amortised until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Government grants

Government grants are recognised at their fair value in the Consolidated Statement of Financial Position, within deferred income, where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants relating to revenue items are released to the Statement of Comprehensive Income and recognised within cost of sales over the period necessary to match the grant on a systematic basis to the costs that they are intended to compensate.

Government grants relating to capital items are released against the carrying value of the grant supported assets when the completion conditions of those assets are met.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that the Group will be required to settle that obligation with an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Onerous contracts are provided for at the lower of costs or termination.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The land promotion provision represents management's best estimate of the Group's liability to provide infrastructure and services as a result of obligations which remain with the Group following the disposal of land. Where the infrastructure and services obligations relate to developments on which land is being disposed of over a number of phases, provisions are calculated based on an acreage allocation methodology taking into account the expected timing of cash outflows to settle the obligations.

The Group regularly reviews its contract obligations and whether they are considered to be onerous. In the event that the costs of meeting the obligations exceed the economic benefits expected to be received through the life of the development, a provision would be recognised based on the lower of the cost of fulfilling the contract or terminating the contract.

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.

Other provisions include any liabilities where the Directors anticipate that a present obligation would result in a future outflow of resources, including legal and regulatory penalties or claims, being taken into account in the Financial Statements.

Specific details of the Group's provisions relating to land promotion and road maintenance can be found in note 27.

Retirement benefit costs

Payments to the defined contribution retirement benefit scheme are charged as an expense as they fall due.

The cost of providing benefits under the defined benefit retirement scheme is determined using the Projected Unit Credit Method, with actuarial calculations being carried out at each reporting date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised within 'Other comprehensive income' within the Consolidated Statement of Comprehensive Income. The net periodic benefit cost, comprising the employer's share of the service cost and the net interest cost, is charged to the Consolidated Statement of Comprehensive Income. The Group's net obligations in respect of the scheme are calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. This is then discounted to present value and the fair value of the scheme's assets is then deducted.

Share capital

Ordinary share capital is classified as equity. Preference share capital is classified as equity as it is non-redeemable or is redeemable only at the Company's option and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Dividends

The Group recognises a liability to pay a final dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. Under UK company law a distribution is authorised when it is approved by the shareholders. An interim dividend is recognised when paid. A corresponding amount is then recognised directly in equity.

Principal Accounting Policies

for the year ended 31 December 2020

Impact of accounting standards and interpretations

At the date of authorisation of these Financial Statements, the following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2020:

		Effective from
Amendments to IFRS (issued 2018)	'Reference to the conceptual framework'	1 January 2020
IFRS 3 (amended 2018)	'Business Combinations'	1 January 2020
IAS 1 and IAS 8 (amended 2018)	'Definition of material'	1 January 2020
IFRS 9, IAS 39 and IFRS 7 (amended 2019)	'Interest rate benchmark reform'	1 January 2020

At the date of the authorisation of these Financial Statements, the following standards, amendments and interpretations were in issue but not yet effective:

		Effective from
IFRS 16 (amended 2020)	'CV-19-related rent concessions'	1 June 2020
IFRS 4 (amended 2020)	'Extension of the temporary exemption from applying IFRS 9'	1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended 2020)	'Interest rate benchmark reform'	1 January 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
IFRS 17 (amended 2020)	'Address implementation challenges'	1 January 2023
IAS 1 (amended 2020)	'Classification of liabilities as current or non-current'	1 January 2023
IAS 1 (amended 2021)	'Disclosure of accounting policies'	1 January 2023
IAS 8 (amended 2021)	'Definition of accounting estimates'	1 January 2023

A review of the impact of these standards, amendments and interpretations has been conducted and the Directors do not believe that they will give rise to any significant financial impact.

In 2020, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

Notes to the Financial Statements

for the year ended 31 December 2020

1. Revenue

Analysis of the Group's revenue is as follows:

		Timing of revenue recognition			Timing of revenue recognition	
Activity in the United Kingdom	**2020 £'000**	**At a point in time £'000**	**Over time £'000**	2019 £'000	At a point in time £'000	Over time £'000
Construction contracts:						
– Construction[1]	**90,596**	**–**	**90,596**	81,002	–	81,002
– Property Investment and Development[2]	**33,301**	**–**	**33,301**	114,743	–	114,743
Sale of land and properties:						
– Property Investment and Development[2]	**9,964**	**9,964**	**–**	27,932	27,932	–
– Housebuilder unit sales[2]	**38,222**	**38,222**	**–**	43,861	43,861	–
– Land Promotion[3]	**20,890**	**20,890**	**–**	73,094	73,094	–
PFI concession[1]	**10,868**	**10,868**	**–**	14,518	14,518	–
Revenue from contracts with customers	**203,841**	**79,944**	**123,897**	355,150	159,405	195,745
Plant and equipment hire[1]	**14,448**			16,734		
Investment property rental income[2]	**3,280**			7,102		
Other rental income - Property Investment and Development[2]	**720**			588		
Other rental income - Land Promotion[3]	**122**			119		
	222,411			379,693		

1. Construction segment
2. Property Investment and Development segment
3. Land Promotion segment

Contingent rents recognised as investment property rental income during the year amount to £258,000 (2019: £326,000).

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.

During the year, the Construction segment made sales to a single external customer amounting to 22.0% (2019: 10.8%) of the Group's total revenue. This related to two high-value contracts which commenced in 2018 and continue through to 2021. The segment has a number of other contracts in progress and is not reliant on any major customer individually. In the prior year, the Property Investment and Development segment made sales to a single external customer amounting to 15.3% of the Group's total revenue. This related to a single high value contract which commenced in 2016 and continued through to 2019.

The accounting policies of the reportable segments are the same as the Group's Accounting Policies. The Group's Principal Accounting Policies are described on pages 148 to 156.

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.

Revenues from external sales are detailed in note 1.

Notes to the Financial Statements

for the year ended 31 December 2020

2. Segment information continued

	2020					
Revenue	**Property Investment and Development £'000**	**Land Promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	85,487	21,012	115,912	—	—	222,411
Inter-segment sales	296	—	500	647	(1,443)	—
Total revenue	85,783	21,012	116,412	647	(1,443)	222,411
Gross profit	12,977	12,319	15,200	32	(61)	40,467
Administrative expenses and pension	(11,024)	(4,402)	(9,872)	(8,106)	61	(33,343)
Other operating income/(expense)	2,929	6,247	1,175	—	—	10,351
Operating profit/(loss)	4,882	14,164	6,503	(8,074)	—	17,475
Finance income	4,377	212	812	11,532	(16,212)	721
Finance costs	(3,638)	(390)	(638)	(2,171)	5,720	(1,117)
Profit before tax	5,621	13,986	6,677	1,287	(10,492)	17,079
Tax	1,864	(2,898)	(1,898)	(422)	—	(3,354)
Profit for the year	7,485	11,088	4,779	865	(10,492)	13,725
Other information						
Capital additions	11,960	—	2,779	631	—	15,370
Depreciation of plant, property and equipment and right-of-use assets	420	30	3,368	754	—	4,572
Impairment	—	—	2,218	—	—	2,218
Amortisation of intangible assets	—	—	570	—	—	570
Increase in fair value of investment properties	(1,266)	—	—	—	—	(1,266)
Provisions	—	129	1,209	—	—	1,338
Pension scheme credit	—	—	—	(2,233)	—	(2,233)

	Restated[1] 2019					
Revenue	Property Investment and Development £'000	Land Promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	192,225	73,213	114,255	—	—	379,693
Inter-segment sales	297	—	10,886	612	(11,795)	—
Total revenue	192,522	73,213	125,141	612	(11,795)	379,693
Gross profit	25,389	37,403	18,208	50	(68)	80,982
Administrative expenses and pension	(11,110)	(6,366)	(9,163)	(7,585)	68	(34,156)
Other operating income/(expense)	3,524	—	—	—	—	3,524
Operating profit/(loss)	17,803	31,037	9,045	(7,535)	—	50,350
Finance income	1,326	2,074	965	22,700	(26,571)	494
Finance costs	(5,701)	(1,304)	(631)	(2,884)	8,780	(1,740)
Profit before tax	13,428	31,807	9,379	12,281	(17,791)	49,104
Tax	(1,205)	(5,947)	(2,145)	(352)	—	(9,649)
Profit for the year	12,223	25,860	7,234	11,929	(17,791)	39,455
Other information						
Capital additions	13,428	43	6,768	866	—	21,105
Depreciation of plant, property and equipment and right-of-use assets	397	32	4,727	754	—	5,910
Impairment	—	—	205	—	—	205
Amortisation of intangible assets	—	—	555	—	—	555
Increase in fair value of investment properties	(2,370)	—	—	—	—	(2,370)
Provisions	—	671	1,237	—	—	1,908
Pension scheme credit	—	—	—	(1,683)	—	(1,683)

1 See change in accounting policies on page 148.

2. Segment information continued

	2020 £'000	2019 £'000
Segment assets		
Property Investment and Development[1]	217,863	198,024
Land Promotion	151,988	164,300
Construction	32,447	42,667
Group overheads	2,854	3,417
	405,152	408,408
Unallocated assets		
Deferred tax assets	7,342	4,538
Cash and cash equivalents	42,125	42,303
Total assets	454,619	455,249
Segment liabilities		
Property Investment and Development	35,292	32,321
Land Promotion	11,934	19,663
Construction	37,554	39,583
Group overheads	3,651	2,216
	88,431	93,783
Unallocated liabilities		
Current tax liabilities	1,129	4,680
Current lease liabilities	603	2,052
Current borrowings	2,941	9,981
Non-current lease liabilities	1,613	2,585
Non-current borrowings	9,969	717
Retirement benefit obligations	36,445	22,965
Total liabilities	141,131	136,763
Total net assets	313,488	318,486

1. Includes investment in joint ventures and associates of £5,840,000 (2019: £6,634,000).

3. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment (note 12)	3,585	4,661
Depreciation of right-of-use assets (note 13)	987	1,250
Impairment of goodwill included in administrative expenses (note 11)	2,218	205
Amortisation of PFI asset included in cost of sales (note 11)	570	555
Amortisation of capitalised letting fees (note 14)	30	18
Loss on sale of assets held for sale	–	56
Impairment losses recognised on trade receivables (note 18)	481	514
Low-value and short-term operating leases	68	–
Increase in fair value of investment property (note 14)	(1,266)	(2,370)
Cost of inventories recognised as expense	45,815	93,645
Employee costs	32,289	35,471
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	11	8
Gross profit on sale of equipment held for hire	(854)	(1,014)
Gain on sale of other property plant and equipment	(85)	(126)
Loss on disposal of right-of-use assets	89	34

Notes to the Financial Statements

for the year ended 31 December 2020

3. Operating profit continued

The remuneration paid to Ernst & Young LLP (2019: PricewaterhouseCoopers LLP), the Company's external auditors, was as follows:

	2020 £'000	2019 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	147	92
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	273	230
Total audit fees	420	322
Other services	—	28
Total non-audit fees	—	28
Total fees	420	350

Non-audit services in the prior year related to a review of the Group's half year results and the provision of the TSR comparator group report.

4. Employee costs

	Group		Parent Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries	22,837	26,334	3,351	3,629
Share-based payment expense	975	826	391	354
Social security costs	2,761	3,394	396	571
Defined benefit pension costs (see note 28)	2,160	2,130	(105)	119
Defined contribution pension costs (see note 28)	2,293	2,255	286	244
Other pension costs	99	90	15	12
	31,125	35,029	4,334	4,929

Included within employee costs is £820,000 of furlough grant income from the Government's Job Retention Scheme introduced in response to the CV-19 pandemic. Since the year end the Group has made repayment of all furlough grants received, further details can be found in note 36.

The average monthly number of employees during the year, including Executive Directors, was:

	2020 Number	2019 Number
Property Investment and Development	115	110
Land Promotion	31	33
Construction	184	182
Plant Hire	145	150
Parent Company	68	66
	543	541

5. Finance income

	2020 £'000	2019 £'000
Interest on bank deposits	292	49
Interest on other loans and receivables	220	176
Unwinding of discounting: trade receivables	209	269
	721	494

6. Finance costs

	2020 £'000	2019 £'000
Interest on bank loans and overdrafts	632	1,027
Interest on other loans and payables	119	272
Unwinding of discounting: trade payables and borrowings	366	441
	1,117	1,740

7. Tax

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on profits for the year	2,824	9,057
Adjustments in respect of earlier years	245	184
Total current tax	3,069	9,241
Deferred tax (note 19):		
Origination and reversal of temporary differences	285	408
Total deferred tax	285	408
Total tax	3,354	9,649

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the main rate of UK corporation tax would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020; deferred tax balances at the year end have been measured at 19% (2019: 17%), being the rate at which timing differences are expected to reverse.

The charge for the year can be reconciled to the profit per the Consolidated Statement of Comprehensive Income as follows:

	2020 £'000	2019 £'000
Profit before tax	17,079	49,104

	2020 %	2019 %
Tax at the UK corporation tax rate	19.00	19.00
Effects of:		
Permanent differences	2.60	0.14
Capital gains	1.40	0.87
Tax losses for which no deferred tax asset is recognised being £297,000 (2019: £184,000)	(1.74)	(0.16)
Adjustment in respect of earlier years	0.33	0.37
Joint venture results reported net of tax	(1.95)	(0.56)
Effective tax rate	19.64	19.66

The tax charge in the year is higher (2019: higher) than the standard rate of corporation tax predominantly due to impairment of goodwill which is ineligible for tax relief and dry tax charges on the transfer of assets from inventories to investment property offset by joint venture profits presented net of tax (2019: capital gains on the disposal of investment property).

In addition to the amount charged to profit for the year, the following amounts relating to tax have been recognised in other comprehensive income:

	2020 £'000	2019 £'000
Deferred tax:		
– actuarial loss	3,089	1,350
Total tax recognised in other comprehensive expense	3,089	1,350

Notes to the Financial Statements

for the year ended 31 December 2020

8. Results of Parent Company

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these Financial Statements. The profit dealt with in the Financial Statements of the Parent Company and approved by the Board on 16 April 2021 is £552,000 (2019: £12,350,000) and includes dividends received from subsidiaries of £7,897,000 (2019: £17,180,000).

9. Earnings per ordinary share

The calculation of the basic and diluted earnings per share is based on the following information:

	2020 £'000	2019 £'000
Profit for the year	**13,725**	39,455
Non-controlling interests	**(1,804)**	(1,859)
Preference dividend	**(21)**	(21)
	11,900	37,575

	2020 No.	2019 No.
Weighted average number of shares in issue	**133,176,230**	133,152,616
Less shares held by the ESOP on which dividends have been waived	**(486,654)**	(537,214)
Weighted average number for basic earnings per share	**132,689,576**	132,615,402
Adjustment for the effects of dilutive potential ordinary shares	**690,392**	1,126,464
Weighted average number for diluted earnings per share	**133,379,968**	133,741,866

	2020	2019
Basic earnings per share	**9.0p**	28.3p
Diluted earnings per share	**8.9p**	28.1p

The Group has two types of dilutive potential ordinary shares being: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year; and expected future vesting of shares under the 2015 Long-Term Incentive Plan.

10. Dividends

	2020 £'000	2019 £'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 2019 of 1.30p per share (2018: 5.80p)	**1,724**	7,691
Interim dividend for the year ended 31 December 2020 of 2.20p per share (2019: 3.70p)	**2,919**	4,909
	4,664	12,621

The proposed final dividend for the year ended 31 December 2020 of 3.30p per share (2019: 1.30p) makes a total dividend for the year of 5.50p (2019: 5.00p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £4,400,000.

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.

Dividends paid to non-controlling interests during the year amounted to £1,159,000 (2019: £2,445,000).

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2019	4,973	18,199	23,172
Additions at cost	2,015	491	2,506
At 31 December 2019	6,988	18,690	25,678
Additions at cost	**—**	**283**	**283**
Disposals at cost	**(2,015)**	**—**	**(2,015)**
At 31 December 2020	**4,973**	**18,973**	**23,946**
Accumulated impairment losses and amortisation			
At 1 January 2019	2,916	15,179	18,095
Amortisation	—	555	555
Impairment losses for the year	205	—	205
At 31 December 2019	3,121	15,734	18,855
Amortisation	**—**	**570**	**570**
Impairment losses for the year	**2,218**	**—**	**2,218**
Eliminated on disposal	**(2,015)**	**—**	**(2,015)**
At 31 December 2020	**3,324**	**16,304**	**19,628**
Carrying amount			
At 31 December 2020	**1,649**	**2,669**	**4,318**
At 31 December 2019	3,867	2,956	6,823
At 31 December 2018	2,057	3,020	5,077

The Group's acquisition of the trade and assets of Premier Plant Tool Hire & Sales Limited were immediately hived up into the immediate parent company Banner Plant Limited, which sits in the Construction segment. The goodwill arising on the acquisition, which has a current net book value of £903,000 (2019: £903,000), represents the excess of consideration over net assets acquired and is subject to an impairment test at the reporting date. The cash generating units assessed for impairment are the Leicester depots of Banner Plant Limited, which were formerly Premier Plant Tool Hire & Sales Limited's only operational sites. Impairment calculations use pre-tax cash flow projections including revenue growth of 3.0% per annum into perpetuity which reflects past experience and management's future expectations. Management estimates discount rates that reflect current market assessments of the time value of money and risk specific to the cash generating unit of 3.5%.

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition which has a current net book value of £746,000 (2019: £949,000) represents the excess of consideration over net assets acquired and is subject to an impairment test at the reporting date. This company's subsidiary, Road Link (A69) Limited, operates a PFI concession which comprises managing and maintaining the A69 Carlisle to Newcastle trunk road. The Company receives payment from Highways England based on the number and type of vehicles using the road. The concession lasts for a period of 30 years and has a further five years to run, at the end of which the road reverts to Highways England. Whilst the impairment test demonstrates significant headroom based on forecast levels of return being consistent with prior years, an impairment charge of £203,000 (2019: £205,000) has been recognised during the year. This reflects the fact that the PFI concession will revert to Highways England at the end of the 30-year period, at which point no goodwill should remain. There were no significant changes to these arrangements during the year.

Amortisation of the PFI asset is recognised within cost of sales in the Consolidated Statement of Comprehensive Income.

Although the Companies Act 2006 Section 390(5) requires a coterminous year end, the subsidiary company's accounting reference date is 31 March in order to align with Highways England's financial year end and hence interim Financial Statements are prepared for incorporation into these Consolidated Financial Statements.

In 2019, the Group acquired the entire share capital of Starfish Commercial Ltd which sits in the Construction segment. Further information on the acquisition can be found in note 35. The goodwill arising on the acquisition, which had a net book value of £2,015,000, was fully impaired in the year and disposed of following the decision by the Directors to place Starfish Commercial Ltd into voluntary liquidation.

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12. Property, plant and equipment

Group	Land and buildings £'000	Equipment held for hire £'000	Vehicles £'000	Office equipment £'000	Total £'000
Cost or fair value					
At 1 January 2019	8,242	38,968	5,932	3,925	57,067
Additions at cost	4	3,700	1,343	255	5,302
Acquisition of subsidiary	—	—	—	22	22
Disposals	—	(2,934)	(1,205)	(892)	(5,031)
Transfers to right-of-use asset	—	(4,059)	(626)	—	(4,685)
Decrease in fair value in year	(404)	—	—	—	(404)
At 31 December 2019	7,842	35,675	5,444	3,310	52,271
Additions at cost	**131**	**2,201**	**707**	**86**	**3,125**
Disposals	**—**	**(2,780)**	**(932)**	**(129)**	**(3,841)**
Transfers from right-of-use asset[1]	**—**	**4,789**	**616**	**—**	**5,405**
Decrease in fair value in year	**(651)**	**—**	**—**	**—**	**(651)**
At 31 December 2020	**7,322**	**39,885**	**5,835**	**3,267**	**56,309**
Being:					
Cost	**—**	**39,885**	**5,835**	**3,267**	**48,987**
Fair value at 31 December 2020	**7,322**	**—**	**—**	**—**	**7,322**
	7,322	**39,885**	**5,835**	**3,267**	**56,309**
Accumulated depreciation and impairment					
At 1 January 2019	342	24,888	2,819	2,857	30,906
Charge for year	—	3,353	791	517	4,661
Transfer to right-of-use asset	—	(803)	(65)	—	(868)
Eliminated on disposals	—	(2,585)	(997)	(861)	(4,443)
At 31 December 2019	342	24,853	2,548	2,513	30,256
Charge for year	**85**	**2,235**	**822**	**443**	**3,585**
Transfer from right-of-use asset[1]	**—**	**1,781**	**195**	**—**	**1,976**
Eliminated on disposals	**—**	**(2,475)**	**(723)**	**(128)**	**(3,326)**
At 31 December 2020	**427**	**26,394**	**2,842**	**2,828**	**32,491**
Carrying amount					
At 31 December 2020	**6,895**	**13,491**	**2,993**	**439**	**23,818**
At 31 December 2019	7,500	10,822	2,896	797	22,015
At 31 December 2018	7,900	14,080	3,113	1,068	26,161

1 Right-of-use assets are transferred to property, plant and equipment where the lease obligation has been settled and the Group retains ownership of the asset.

At 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,437,000 (2019: £898,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2020 by Jones Lang LaSalle Limited and Dove Haigh Phillips LLP in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £6,895,000 (2019: £7,500,000). Jones Lang LaSalle Limited and Dove Haigh Phillips LLP are professional valuers who hold recognised and professional qualifications and have recent experience in the location and category of the land and buildings being valued.

The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the yield method valuation technique. The yield method of valuation involves applying market-derived capitalisation yields, and the actual or market-derived future income streams where appropriate, with adjustments for letting voids or rent-free periods as applicable to each item of land and buildings.

On the historical cost basis, the land and buildings would have been included at a carrying amount of £4,554,000 (2019: £4,507,000).

12. Property, plant and equipment continued

The following table provides an analysis of the fair values of land and buildings by the degree to which the fair value is observable:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2020 £'000**	2019 £'000	**Decrease in year £'000**
Freehold land	—	—	60	**60**	60	**—**
Buildings	—	—	6,835	**6,835**	7,440	**(605)**
Total fair value	—	—	6,895	**6,895**	7,500	**(605)**

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 land and buildings fall 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 land and buildings were 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.

Information about fair value measurements using significant unobservable inputs (Level 3):

Class		Buildings
Valuation technique		Yield
Rental value per sq ft (£)	– weighted average	6.41
	– low	2.34
	– high	16.25
Yield %	– weighted average	8.86
	– low	6.75
	– high	15.23

The sensitivity analysis to significant changes in unobservable inputs relating to fair value measurements (Level 3) are set out below:

	Impact on valuation £'000 Buildings
Yield – improvement by 0.5%	415
Rental value per sq ft – increase of £1 average	1,130

The sensitivities have been selected by management on the basis that they consider these measures to be a reasonable expectation of likely changes to the significant unobservable inputs in the next 12 months.

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12. Property, plant and equipment continued

Parent Company	Office equipment £'000
Cost	
At 1 January 2019	1,030
Additions	84
Disposals	(100)
At 31 December 2019	1,014
Additions	**54**
Disposals	**—**
At 31 December 2020	**1,068**
Accumulated depreciation	
At 1 January 2019	571
Charge for year	209
Disposals	(97)
At 31 December 2019	683
Charge for year	**203**
Disposals	**—**
At 31 December 2020	**886**
Carrying amount	
At 31 December 2020	**182**
At 31 December 2019	331
At 31 December 2018	459

13. Leases

	Group		Parent Company	
	2020	2019	**2020**	2019
Right-of-use assets	**£'000**	£'000	**£'000**	£'000
Land and buildings	**1,655**	1,787	**—**	—
Equipment held for hire	**—**	3,866	**—**	—
Vehicles	**8**	—	**48**	70
Office equipment	**447**	432	**89**	90
	2,110	6,085	**137**	160
Lease liabilities				
Due within one year	**603**	2,052	**54**	57
Due after more than one year	**1,613**	2,585	**86**	108
	2,216	4,637	**140**	165
Contractual maturities of lease liabilities including future interest:				
On demand or within one year	**654**	2,154	**57**	61
In the second year	**655**	1,825	**49**	89
In the third to fifth years inclusive	**901**	609	**39**	22
In more than five years	**151**	277	**—**	—
Total contractual cash flows	**2,361**	4,865	**145**	172
Future finance charges on lease liabilities	**(145)**	(228)	**(5)**	(7)
Present value of contractual cash flows	**2,216**	4,637	**140**	165

Additions to the right-of-use assets during the 2020 financial year were £512,000 (2019: £1,347,000) for the Group and £37,000 (2019: £32,000) for the Parent Company.

13. Leases continued

The statement of profit or loss shows the following amounts relating to leases:

	Group		Parent Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Depreciation charge of right-of-use assets				
Land and buildings	**434**	428	**–**	–
Equipment held for hire	**436**	734	**–**	–
Vehicles	**10**	–	**32**	36
Office equipment	**107**	88	**24**	24
	987	1,250	**56**	60
Interest expense (included in finance cost)	**91**	73	**5**	5

The total cash outflow for leases in 2020 was £3,024,000 (2019: £1,420,000) for the Group and £67,000 (2019: £96,000) for the Parent Company.

The Group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 4 to 10 years and may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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13. Leases continued

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture (note 3).

14. 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	**2020 £'000**	2019 £'000	Increase/ (decrease) in year £'000
Completed investment property						
Industrial	—	—	31,550	**31,550**	15,900	15,650
Leisure	—	—	9,427	**9,427**	11,044	(1,617)
Mixed-use	—	—	7,260	**7,260**	8,823	(1,563)
Residential	—	—	4,106	**4,106**	3,704	402
Office	—	—	11,450	**11,450**	12,000	(550)
Retail	—	—	14,937	**14,937**	10,293	4,644
	—	—	78,730	**78,730**	61,764	16,966
Investment property under construction						
Industrial	—	—	1,629	**1,629**	3,634	(2,005)
Land	—	—	—	**—**	714	(714)
Retail	—	—	2,364	**2,364**	3,890	(1,526)
	—	—	3,993	**3,993**	8,238	(4,245)
Total carrying amount	—	—	82,723	**82,723**	70,002	12,721

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.

14. Investment properties continued

Explanation of the fair value hierarchy:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – fair value measurements are those derived from the use of a model with inputs (other than quoted prices included in Level 1) that are observable from directly or indirectly observable market data; and

Level 3 – fair value measurements are those derived from use of a model with inputs that are not based on observable market data.

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

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

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

Completed investment property

Class	Industrial Level 3	Leisure Level 3	Mixed-use Level 3	Residential Level 3	Office Level 3	Retail Level 3	**2020**	2019
Fair value hierarchy	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Carrying value								
At 1 January	15,900	11,044	8,823	3,704	12,000	10,293	**61,764**	117,560
Subsequent expenditure on investment property	35	15	92	—	47	4	**193**	2,284
Capitalised letting fees	—	—	—	—	90	—	**90**	115
Amortisation of capitalised letting fees	—	(9)	(19)	—	—	(2)	**(30)**	(18)
Disposals	—	—	—	(8)	—	—	**(8)**	(20,217)
Transfers to assets held for sale	—	—	—	—	—	—	**—**	(43,844)
Transfer from inventory	245	—	—	—	—	—	**245**	—
Transfers from investment property under construction	12,240	—	—	—	—	4,800	**17,040**	4,500
Increase/(decrease) in fair value in year	3,130	(1,623)	(1,636)	410	(687)	(158)	**(564)**	1,384
At 31 December	31,550	9,427	7,260	4,106	11,450	14,937	**78,730**	61,764
Adjustment in respect of tenant incentives	—	233	40	—	—	288	**561**	465
Market value at 31 December	31,550	9,660	7,300	4,106	11,450	15,225	**79,291**	62,229

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14. Investment properties continued

There is no actively traded market for the Group's commercial property and as such the adopted valuation is completed using the professional judgement of the Group's professional valuers, who use the yield method to determine fair value. The calculation of the capital value of a property under this method uses a yield to multiple against the rental income stream with due allowance for a fixed assumed purchaser's cost. The primary variables of the yield method are thus: the yield, which is based on historic yields for properties that are similar but to which there may be adjustment to take into account, factors such as geographical location and lease terms; and the contracted rent, which is based on contracted rents that exist at the balance sheet date, but may also include a provision for rents that may be achieved in the future after accounting for a period of vacancy, such rents being based on rental income terms that exist in similar properties, adjusted for geographic location and lease terms.

With the exception of the residential class, completed investment property has been revalued at 31 December 2020 by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £75,185,000 (2019: £58,525,000). Jones Lang LaSalle Limited are professional valuers who hold recognised and professional qualifications and have recent experience in the location and category of the investment property being valued. The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the yield method valuation technique. The yield method of valuation involves applying market-derived capitalisation yields, and the actual or market-derived future income streams where appropriate, with adjustments for letting voids or rent-free periods as applicable to each property. For all completed investment properties, their current use equates to the highest and best use.

Residential properties are valued using recent comparable sales transactions with a significant unobservable input being the discount used, to reflect the lower value achieved where properties are held under an assured tenancy, that typically earn a low market level of rent. The discount applied recognises that the value is higher where the house is offered with the benefit of vacant possession at the end of the assured tenancy.

The fair value of the residential class at 31 December 2020 has been determined by the Directors of the Company at £4,106,000 (2019: £3,704,000). The fair value takes into account market evidence based on recent comparable sale transactions adjusted to take into account the tenanted nature of the properties.

Information about fair value measurements using significant unobservable inputs (Level 3):

		2020					
Class		**Industrial**	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£)	– weighted average	**4.14**	**14.96**	**26.61**	**–**	**24.33**	**15.10**
	– low	**0.56**	**1.67**	**7.50**	**–**	**19.46**	**10.00**
	– high	**8.70**	**45.05**	**63.39**	**–**	**26.50**	**21.40**
Yield %	– weighted average	**5.20**	**6.25**	**8.75**	**–**	**8.38**	**5.42**
	– low	**2.48**	**5.20**	**9.65**	**–**	**5.92**	**4.83**
	– high	**6.27**	**8.93**	**12.00**	**–**	**10.81**	**9.00**
% discount applied to houses held under assured tenancies		**–**	**–**	**–**	**25.00**	**–**	**–**

		2019					
Class		Industrial	Leisure	Mixed-use	Residential	Office	Retail
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£)	– weighted average	3.97	12.40	36.21	–	22.87	15.86
	– low	3.75	1.67	7.50	–	24.00	11.00
	– high	5.50	45.05	63.39	–	25.00	21.40
Yield %	– weighted average	6.26	4.49	9.78	–	7.86	5.62
	– low	5.14	5.32	6.25	–	6.34	4.80
	– high	8.64	7.86	12.00	–	7.00	7.50
% discount applied to houses held under assured tenancies		–	–	–	25.00	–	–

There is considered to be no inter-relationship between observable and unobservable inputs.

14. Investment properties continued

The sensitivity analysis to significant changes in unobservable inputs relating to fair value measurements (Level 3) is set out below:

	Impact on valuation 2020 £'000					
	Industrial	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Yield – improvement by 0.5%	**2,930**	**731**	**398**	**—**	**708**	**1,464**
Rental value per sq ft – increase by £1 average	**8,409**	**663**	**277**	**—**	**510**	**1,097**
Tenancy discount – increase by 1%	**—**	**—**	**—**	**50**	**—**	**—**

	Impact on valuation 2019 £'000					
	Industrial	Leisure	Mixed-use	Residential	Office	Retail
Yield – improvement by 0.5%	1,298	1,117	436	—	772	1,029
Rental value per sq ft – increase by £1 average	3,935	847	248	—	556	759
Tenancy discount – increase by 1%	—	—	—	50	—	—

The sensitivities have been selected by management on the basis that it considers these measures to be a reasonable expectation of likely changes to the significant unobservable inputs in the next 12 months.

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £3,280,000 (2019: £7,102,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £608,000 (2019: £1,142,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £179,000 (2019: £183,000).

At 31 December 2020, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £310,000 (2019: £nil).

Investment property under construction

Class	Industrial Level 3	Land Level 3	Retail Level 3	**2020**	2019
Fair value hierarchy	£'000	£'000	£'000	**£'000**	£'000
Carrying value					
At 1 January	3,634	714	3,890	**8,238**	3,415
Subsequent expenditure on investment property	8,386	—	3,247	**11,633**	10,895
Capitalised letting fees	46	—	—	**46**	5
Disposals	—	(714)	—	**(714)**	(2,563)
Transfers to completed investment property	(12,240)	—	(4,800)	**(17,040)**	(4,500)
Increase in fair value in year	1,803	—	27	**1,830**	986
At 31 December	1,629	—	2,364	**3,993**	8,238
Adjustment in respect of tenant incentives	—	—	—	**—**	—
Market value at 31 December	1,629	—	2,364	**3,993**	8,238

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14. Investment properties continued

Information about fair value measurements using significant unobservable inputs (Level 3):

		2020		
Class		**Industrial**	**Land**	**Retail**
Valuation technique		Residual	Sales comparison	Residual
Rental value per sq ft (£)	– weighted average	**2.28**	**–**	**1.46**
	– low	**2.28**	**–**	**1.46**
	– high	**2.28**	**–**	**1.46**
Yield %	– weighted average	**5.20**	**–**	**5.00**
	– low	**5.20**	**–**	**5.00**
	– high	**5.20**	**–**	**5.00**
Cost to complete per sq ft (£)	– weighted average	**29.95**	**–**	**6.08**
	– low	**29.95**	**–**	**6.08**
	– high	**29.95**	**–**	**6.08**
Land value per acre (£'000)	– weighted average	**–**	**–**	**–**
	– low	**–**	**–**	**–**
	– high	**–**	**–**	**–**

		2019		
Class		Industrial	Land	Retail
Valuation technique		Residual	Sales comparison	Residual
Land value per acre (£'000)	– weighted average	—	487	1,271
	– low	—	99	1,271
	– high	—	2,168	1,271

The sensitivity analysis to significant changes in unobservable inputs relating to fair value measurements (Level 3) is set out below:

	Impact on valuation 2020 £'000		
	Industrial	**Land**	**Retail**
Yield – improvement by 0.5%	**669**	**–**	**300**
Rental value per sq ft – increase by £1 average	**1,588**	**–**	**1,104**
Cost to complete – increased by 1%	**200**	**–**	**130**
Land value per acre – increase by 5%	**–**	**–**	**–**

	Impact on valuation 2019 £'000		
	Industrial	Land	Retail
Land value per acre – increase by 5%	—	217	194

Investment properties under construction are developments which have been valued at 31 December 2020 at fair value by the Directors of the Company using the residual method at £3,993,000 (2019: £8,238,000). The residual method of valuation involves estimating the gross development value of the property using market-derived capitalisation yields and market-derived future income streams. From this gross development value the remaining gross development costs to be incurred are deducted, using market-derived data cost estimates or the actual known costs and including cost contingencies for construction risk as appropriate. In addition, a deduction for the anticipated development profits yet to be earned is made, taking into account the progress of the development to date in line with key milestones.

15. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2019, 31 December 2019 and 31 December 2020	**38,021**
Adjustments	
At 1 January 2019	(3,935)
Reversal of provisions for losses	3,935
At 31 December 2019	—
Reversal of provisions for losses	—
At 31 December 2020	**—**
Carrying amount	
At 31 December 2020	**38,021**
At 31 December 2019	38,021
At 31 December 2018	34,086

The improved net assets position of Henry Boot Developments in the prior year gave rise to the reversal of provisions for losses previously recognised. The impairment reversals were included in the Parent Company's profit and loss.

Amounts due from and to subsidiary companies are listed in notes 18 and 23 and details of all subsidiary companies are listed in note 38. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of:

- Road Link (A69) Holdings Limited and its subsidiary Road Link (A69) Limited which is 61.2% owned by Henry Boot Construction Limited;
- Plot 7 East Markham Vale Management Company Limited which is owned by, and under board control of, Henry Boot Developments Limited;
- Capitol Park Property Services Limited which is 5% owned by, and under board control of, Henry Boot Developments Limited; and
- Stonebridge Homes Group Limited and its wholly owned subsidiaries (as indicated in note 38) which is 50% owned by, and under board control of (by virtue of majority voting rights), Henry Boot Land Holdings Limited.

They are all incorporated in the United Kingdom. All subsidiary companies have only one class of ordinary issued share capital.

16. Investment in joint ventures and associates

	2020			2019		
Group	**Joint ventures £'000**	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Cost						
At 1 January	**6,567**	**67**	**6,634**	5,119	1,567	6,686
Share of profit for the year	**1,671**	**85**	**1,756**	1,448	—	1,448
Dividends received	**(2,200)**	**—**	**(2,200)**	—	—	—
Disposals	**(350)**	**—**	**(350)**	—	(1,500)	(1,500)
At 31 December	**5,688**	**152**	**5,840**	6,567	67	6,634

The Group's share of its joint ventures' and associates' aggregated assets, liabilities and results are as follows:

	2020			2019		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Investment property	**12,656**	**—**	**12,656**	7,420	—	7,420
Current assets	**16,611**	**154**	**16,765**	16,623	99	16,722
Non-current assets	**1**	**2**	**3**	—	7	7
Total assets	**29,268**	**156**	**29,424**	24,043	106	24,149
Current liabilities	**(20,321)**	**(4)**	**(20,325)**	(14,203)	(39)	(14,242)
Non-current liabilities	**(3,259)**	**—**	**(3,259)**	(3,273)	—	(3,273)
Net investment	**5,688**	**152**	**5,840**	6,567	67	6,634

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16. Investment in joint ventures and associates continued

	2020			2019		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Revenue	**17,927**	**85**	**18,012**	27,815	115	27,930
Administration and other expenses	**(16,198)**	**—**	**(16,198)**	(26,478)	(11)	(26,489)
Increase in fair value of investment properties	**103**	**—**	**103**	229	—	229
Operating profit	**1,832**	**85**	**1,917**	1,566	104	1,670
Finance costs	**(185)**	**—**	**(185)**	(103)	(65)	(168)
Profit before tax	**1,647**	**85**	**1,732**	1,463	39	1,502
Tax	**24**	**—**	**24**	(15)	(39)	(54)
Share of profits after tax	**1,671**	**85**	**1,756**	1,448	—	1,448

Details of the Group's investments in joint ventures and associates are listed in note 38.

Material joint ventures and associates

The Directors considers Pennine Property Partnership LLP to be the only material joint venture or associate they hold an interest in. Pennine Property Partnership LLP is a property development joint venture between the Group and Calderdale and Huddersfield NHS Foundation Trust, the LLP is incorporated in England and the Group has ownership of 50%. The joint venture is accounted for using the equity method of accounting.

The table below provides summarised financial information for Pennine Property Partnership LLP. The information disclosed reflects the amounts presented in the financial statements of Pennine Property Partnership LLP and not the Group's share of those amounts.

Summarised balance sheet

	Pennine Property Partnership LLP	
	2020 £'000	2019 £'000
Investment properties (non-current)	**15,045**	14,838
Inventories	**146**	146
Trade and other receivables	**235**	3,294
Cash and cash equivalents	**475**	4,207
Trade and other payables	**(4,377)**	(5,515)
Borrowings (non-current)	**(2,568)**	(6,546)
Net assets	**8,956**	10,424
Reconciliation to carrying amount:		
Opening net assets 1 January	**10,424**	7,722
Profit for the period	**710**	2,776
Other distribution	**(2,178)**	(74)
Closing net assets	**8,956**	10,424
Group's share in %	**50%**	50%
Group's share in £	**4,478**	5,212
Carrying amount	**4,478**	5,212

Summarised statement of comprehensive income

	2020 £'000	2019 £'000
Revenue	**745**	6,675
Profit for the year	**710**	2,776

17. Contract assets

	2020 £'000	2019 £'000
Construction contracts – Construction segment	2,051	2,327
Construction contracts – Property Investment and Development segment	11,277	16,758
	13,328	19,085
Due within one year	13,328	19,085
Due after more than one year	—	—
	13,328	19,085

Amounts relating to construction contracts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed but not yet invoiced. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Contract assets have decreased as the Group has provided fewer services ahead of the agreed billing schedule.

There were no significant impairment losses recognised on any contract asset in the reporting period (2019: £nil).

The Group does not recognise any assets arising from the costs incurred to obtain a contract as the related amortisation period would have been less than one year.

18. Trade and other receivables

	Group		Parent Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	53,269	87,112	265	307
Loss allowance	(691)	(724)	—	—
Prepayments	4,987	6,723	891	1,053
Amounts owed by joint ventures and associates	14,661	14,904	—	—
Amounts owed by Group undertakings	—	—	134,484	127,004
	72,226	108,015	135,640	128,364
Due within one year	65,032	90,777	135,640	128,364
Due after more than one year	7,194	17,238	—	—
	72,226	108,015	135,640	128,364

Amounts due after more than one year relate to trade receivables. Amounts are discounted to present value and are due for payment between January 2022 by June 2023.

Group

Movement in the trade receivables loss allowance

	2020 £'000	2019 £'000
At 1 January	724	424
Impairment losses recognised	481	514
Amounts written off as uncollectable	(214)	(11)
Amounts recovered during the year	—	(19)
Impairment losses reversed	(300)	(184)
At 31 December	691	724

The loss allowance as at 31 December 2020 and 31 December 2019 for trade receivables was determined as follows:

2020

	Expected loss rate %	Gross carrying amount £'000	Loss allowance £'000
0-30 days	0.8%	46,800	381
30–60 days	0.9%	2,810	25
60–90 days	4.2%	359	15
90–120 days	14.0%	114	16
120+ days	8.0%	3,186	254
		53,269	691

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18. Trade and other receivables continued

2019

	Expected loss rate %	Gross carrying amount £'000	Loss allowance £'000
0-30 days	0.4%	81,826	295
30–60 days	2.9%	1,281	37
60–90 days	1.7%	1,723	29
90–120 days	20.3%	133	27
120+ days	15.6%	2,149	336
		87,112	724

The Directors consider that the carrying amount of trade and other receivables of the Group and Parent Company approximates to their fair value.

Parent Company

Amounts owed by Group undertakings are repayable on demand, unsecured and are stated net of provisions for impairment of £1,584,000 (2019: £5,402,000), of which £3,000 (2019: £3,654,000) has been provided in the year, £166,000 (2019: £180,000) has been recovered in the year and £3,655,000 (2019: £nil) was written off. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. Where there are insufficient liquid assets the Parent Company considers the expected manner of recovery to measure expected credit losses. This might be a 'repay over time' strategy, or a fire sale of less liquid assets. Interest is charged annually at 2.85% (2019: 3.50%).

The Parent Company has no significantly impaired trade receivables.

Credit risk

The Group's principal financial assets are bank balances and cash, contract assets and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of loss allowances for doubtful receivables, estimated by the Group's management based on prior experience and forward-looking assessments of the economic environment in accordance with IFRS 9 'Financial Instruments'.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

19. Deferred tax

Deferred tax assets and deferred tax liabilities are offset where the Group has a legally enforceable right to do so and when the deferred tax assets and liabilities relate to tax levied by the same tax authority where there is an intention to settle the balances on a net basis. The amounts after offsetting are as follows:

Group	Accelerated capital allowances £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 1 January 2019	465	2,839	183	3,487
Acquisition of subsidiary (note 36)	—	—	109	109
Recognised in income	(213)	(285)	90	(408)
Recognised in other comprehensive income	—	1,350	—	1,350
At 31 December 2019	252	3,904	382	4,538
Recognised in income	**(167)**	**(69)**	**(49)**	**(285)**
Recognised in other comprehensive income	**—**	**3,089**	**—**	**3,089**
At 31 December 2020	**85**	**6,924**	**333**	**7,342**
Parent Company				
At 1 January 2019	41	2,839	235	3,115
Recognised in income	10	(285)	65	(210)
Recognised in other comprehensive income	—	1,350	—	1,350
At 31 December 2019	51	3,904	300	4,255
Recognised in income	**17**	**(69)**	**55**	**3**
Recognised in other comprehensive income	**—**	**3,089**	**—**	**3,089**
At 31 December 2020	**68**	**6,924**	**355**	**7,347**

19. Deferred tax continued

Deferred tax assets relating to unused tax losses carried forward and deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences.

Unrecognised deferred tax assets relating to property revaluations amounted to £1,596,000 (2019: £2,057,000). These assets have not been recognised as it is probable that in future periods there will be no suitable profits or gains available to the Group against which they may be relieved. There are no other significant unrecognised deferred tax assets and liabilities.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the main rate of UK corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As a result deferred tax balances at the year end have been measured at 19% (2019: 17%), being the rate at which timing differences are expected to reverse. Management do not expect any significant reversal of deferred tax assets or liabilities in the next 12 months.

20. Inventories

	2020 £'000	2019 £'000
Property developments in progress	**44,368**	31,684
Housebuilder land and work in progress	**39,192**	36,339
Land held for development or sale	**57,898**	50,716
Options to purchase land	**14,757**	14,913
Planning promotion agreements	**44,574**	36,097
	200,789	169,749

Within property developments in progress £909,000 (2019: £888,000) has been written down and recognised as an expense in the year. These costs relate to development projects no longer likely to proceed. Within land held for development or sale, options to purchase land and planning promotion agreements £1,434,000 (2019: £712,000) has been written down and recognised as an expense in the year. These costs relate to land, options and planning promotion agreements where planning permission for development has been refused or is deemed to be doubtful.

21. Assets classified as held for sale

Assets classified as held for sale are investment properties within the Property Investment and Development segment, which are individually being actively marketed for sale with expected completion dates within one year. The gain recognised after measurement at fair value to sell on the transfer of assets during the year was £nil (2019: £2,463,000).

Assets classified as held for sale comprise the following:

	Investment property	
	2020 £'000	2019 £'000
Fair value		
At 1 January	**–**	–
Transfer from investment property (note 14)	**–**	43,844
Disposals	**–**	(43,844)
At 31 December	**–**	–
Adjustment in respect of tenant incentives	**–**	–
Market value at 31 December	**–**	–

Assets classified as held for sale have been valued at 31 December 2020 at fair value by the Directors of the Company at £nil (2019: £nil).

22. Contract liabilities

	2020 £'000	2019 £'000
Construction contracts – Construction segment	**7,280**	9,529
Construction contracts – Property Investment and Development segment	**150**	347
	7,430	9,876
Due within one year	**7,430**	9,876

	2020 £'000	2019 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Construction contracts – Construction segment	**9,433**	2,673
Construction contracts – Property Investment and Development segment	**–**	–
Revenue recognised from performance obligations satisfied in previous periods		
Construction contracts – Construction segment	**–**	–
Construction contracts – Property Investment and Development segment	**–**	–

There were no significant changes in the contract liability balances during the reporting period.

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23. Trade and other payables

	Group		Parent Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade payables	**62,076**	61,315	**1,255**	1,394
Social security and other taxes	**4,665**	8,826	**371**	470
Accrued expenses	**3,549**	1,844	**1,616**	345
Deferred income	**4,072**	3,684	**—**	—
Amounts owed to joint venture and associates	**711**	1,242	**—**	—
Amounts owed to Group undertakings	**—**	—	**89,868**	80,752
	75,073	76,911	**93,110**	82,961
Due within one year	**72,727**	70,763	**93,110**	82,961
Due after more than one year	**2,346**	6,148	**—**	—
	75,073	76,911	**93,110**	82,961

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Amounts due after more than one year include £1,873,000 (2019: £1,986,000) of deferred income and £473,000 (2019: £4,162,000) of trade payables.

Parent Company

Amounts owed to Group undertakings are repayable on demand, unsecured and bear interest at 2.85% (2019: 2.0%).

24. Government grants

Government grants have been received in relation to the infrastructure of one of the Group's land promotions, one of the Group's property developments and furlough grant income from the Government's Coronavirus Job Retention Scheme.

Grant income received relating to revenue grants are included within deferred income and released to the Consolidated Statement of Comprehensive Income on a systematic basis to match the costs it is intended to compensate. There are no unfulfilled conditions or contingencies attached to the grants that have been recognised.

Amounts credited to the Consolidated Statement of Comprehensive Income during the year were £820,000 (2019: £250,000).

Grant income relating to capital grants is included within deferred income until the completion conditions are met; at this point the grant is transferred to offset the cost of the asset.

Since the year end the Group has made repayment of all furlough grants received. Further details can be found in note 36.

25. Capital risk management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and have the resources to provide returns for shareholders and benefits for other stakeholders; and
- To maximise returns to shareholders by allocating capital across our businesses based on the level of expected return and risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and cash equivalents and at 31 December 2020 this was £nil (2019: £nil). Equity comprises all components of equity and at 31 December 2020 this was £313.5m (2019: £318.5m).

During 2020 the Group's strategy, was to maintain the debt to equity ratio below 30% (2019: 30%). This level was chosen to ensure that we can access debt relatively easily and inexpensively if required.

In January 2020, the Group concluded negotiations with three banking partners to put in place a £75m facility to replace the £72m facility we had in place at 31 December 2019. The renewed facilities commenced on 23 January 2020, with a renewal date of 23 January 2023 and an option to extend the facilities by one year, each year, for the next two years occurring on the anniversary of the facility. The renewed facilities, on improved terms, maintain covenants on the same basis as the previous facilities. On 19 January 2021 the banks agreed to the Group's request to extend the facility to 23 January 2024. The facilities were undrawn at 31 December 2020 and at 31 December 2019.

The Group's secured bank facilities are subject to covenants over loan-to-market value of investment properties, interest cover, EBIT cover, gearings and minimum consolidated tangible assets value. The Group has other bank debt on which there are also covenant requirements. The Group operated comfortably within all of its requirements throughout the year and continues to do so over forecast periods.

The Group's capital risk management disclosures are consistent with the parent company.

26. Borrowings

	Group		Parent Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bank overdrafts	**—**	—	**1,421**	1,012
Bank loans	**9,969**	7,757	**—**	—
Government loans	**2,941**	2,941	**—**	—
	12,910	10,698	**1,421**	1,012
Due within one year	**2,941**	9,981	**1,421**	1,012
Due after one year	**9,969**	717	—	—
	12,910	10,698	**1,421**	1,012
Contractual maturities of borrowings, including future interest, as follows:				
On demand or within one year	**3,195**	10,172	**1,421**	1,012
In the second year	**9,969**	703	**—**	—
In the third to fifth years inclusive	**—**	64	**—**	—
	13,164	10,939	**1,421**	1,012
Due within one year	**3,195**	10,172	**1,421**	1,012
Due after one year	**9,969**	767	**—**	—
	13,164	10,939	**1,421**	1,012

The weighted average interest rates paid were as follows:

	2020	2019
	%	%
Bank overdrafts	**1.56**	2.30
Bank loans – floating rate	**—**	2.41
Bank loans – floating rate (relating to Stonebridge Offices Limited)	**—**	3.54
Bank loans – floating rate (relating to Stonebridge Homes Limited)	**2.24**	2.87
Government loans	**—**	0.07

Bank overdrafts are repayable on demand.

Borrowings are recognised at amortised cost.

Liquidity risk

The Company's objectives when managing liquidity are:

- To safeguard the Group's ability to meet expected and unexpected payment obligations at all times; and
- To maximise the Group's profitability.

Interest on floating rate borrowings is arranged for periods from one to six months. These borrowings are secured by a fixed and floating charge over the assets of the Group excluding those of Road Link (A69) Limited, Stonebridge Offices Limited and Stonebridge Homes Limited.

The Stonebridge Offices Limited bank loan is secured by a specific charge over the freehold property of that company and is without recourse to the rest of the Group. The loan was renewed on 11 December 2018 at a value of £2,512,000 and is repayable in quarterly instalments of £37,500 that commenced on 11 December 2018, with full and final settlement becoming due on 10 December 2021. Following the disposal of investment property this loan was settled in full on 16 December 2019.

The Stonebridge Homes Limited revolving loan facility is secured by a specific charge over the freehold property of that company and is guaranteed by Henry Boot PLC. The loan can be drawn against on a monthly basis and was first drawn against on 22 April 2016. The loan is repayable from the proceeds of residential house sales with full and final settlement becoming due on 24 January 2022. On 25 January 2019 the Stonebridge Homes facility was increased to £10,000,000 with full and final settlement becoming due on 24 January 2022. On 22 December 2020, the loan facility was amended so that the proceeds of residential house sales are no longer set off the loan balance.

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26. Borrowings continued

Government loans from the South West of England Regional Development Agency (SWE) and Sedgemoor District Council (SDC) were issued at a borrowing rate of nil%; their fair values are £nil (2019: £nil).

Government loans from the Homes and Communities Agency (HCA) were issued with a fixed level of interest of £254,000 (2019: £254,000); their fair values are £2,941,000 (2019: £2,941,000) (Education Campus) and £nil (2019: £nil) (Phase II Road Infrastructure).

As a result, the Company has no exposure to interest rate changes in relation to these borrowings. The Company's exposure to indexation risk may result in an increase in the value of repayments, causing the loans to be settled at an earlier date.

The Government loans were received to fund specific residential construction expenditure.

Repayment of the SWE loan commenced during 2013, being three years after the quarter date of the construction completion of the first residential unit. Repayments of £nil (2019: £231,000) were made during the year. The repayments are calculated at £8,000 per residential unit, are linked to the Land Registry House Price Index and are subject to certain minimum repayment amounts.

Repayment of the SDC loan is to be made in full upon the occupation of the 550th dwelling.

Repayment of the Education Campus HCA loan commenced upon the occupation of the first dwelling and follows for each occupation thereafter until the total contribution sum is repaid in full. Repayments of £nil (2019: £15,000) were made during the year. The repayments are calculated at £8,587 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). The base figure of £8,587 is reviewed following the occupation of the first 300 dwellings and every 300 dwellings thereafter in addition to every second anniversary of the loan agreement date and any date after 2022 following notice served from the HCA. If the HCA is not satisfied that the base rate will guarantee repayment of the total contribution sum before the completion of the last residential unit, it has the right to increase the base figure accordingly. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

Repayment of the Phase II Road Infrastructure HCA loan commenced during 2015 upon the occupation of the 1,151st dwelling. Repayments of £nil (2019: £408,000) were made during the year. The repayments are calculated at £3,675 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). If the relevant number of dwellings is not met by 31 December of each year until 2019, advance payments will be required. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Based on approximate average borrowings during 2020, a 0.5% (2019: 0.5%) change in interest rates, which the Directors consider to be a reasonably possible change, would affect profitability before tax by £4,000 (2019: £79,000).

The fair value of the Group's borrowings is not considered to be materially different from the carrying amounts.

At 31 December 2020, the Group had available £75,000,000 (2019: £72,000,000) undrawn committed borrowing facilities.

27. Provisions

	Land promotion £'000	Road maintenance £'000	Total £'000
At 1 January 2020	5,315	1,681	6,996
Included in current liabilities	3,634	1,681	5,315
Included in non-current liabilities	1,681	—	1,681
	5,315	1,681	6,996
Additional provisions in year	**129**	**1,209**	**1,338**
Utilisation of provisions	**(1,508)**	**(898)**	**(2,406)**
At 31 December 2020	**3,936**	**1,992**	**5,928**
Included in current liabilities	**2,860**	**1,992**	**4,852**
Included in non-current liabilities	**1,076**	**—**	**1,076**
	3,936	**1,992**	**5,928**

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. The provision is calculated using the present value of the estimated cash flows required to settle the present obligations, pro rata on an acreage allocation basis where disposals occur over a number of phases, such that provisions are only made in relation to the land which has been disposed of. Based on a 1.0% change in the discount rate and a 5.0% change in the estimated cash outflows, both of which the Directors consider to be a reasonably possible change, land promotion provisions would change and affect profitability before tax by £51,000 and £193,000 respectively (2019: £72,000 and £265,000).

The Group maintains rigorous forecasting and budgeting for the infrastructure and services contracts to which our provisions relate. The Group's outstanding obligations are not considered to be 'onerous' contracts, as the costs of meeting the obligations are not anticipated to exceed the economic benefits expected to be received throughout the life of the developments.

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. Based on a 5.0% change in the estimated cash outflows, which the Directors consider to be a reasonably possible change, the road maintenance provision would change and affect profitability before tax by £171,000 (2019: £179,000).

Off balance sheet arrangements

The Group is currently undertaking the infrastructure of land promotions at Bridgwater and Cranbrook, spanning 122 and 53 acres respectively (2019: 122 and 53). The Group is liable for various planning and infrastructure obligations required to be met under section agreements imposed by the local Councils. The Group shares its planning and infrastructure obligations relating to the Cranbrook site with two other parties, the Group's share being 30%. These shared obligations are secured by performance bonds and legal charges. The Group deems the possibility of default by the other parties as highly remote. The infrastructure of these developments is anticipated to continue until 2020 and 2025 respectively, with costs being incurred throughout these periods.

The Group has historically disposed of 117 and 35 acres respectively (2019: 117 and 35), and has subsequently recognised provisions to the value of £3,845,000 (2019: £5,316,000), being the Group's best estimate of the consideration required to settle the present obligations at the reporting date. Subsequent disposals are expected to occur over a number of phases; provisions are made in relation to the land which has been disposed of. The present value of the estimated cash flows relating to future disposals, amounting to £1,369,000 (2019: £1,772,000), has therefore not been recognised in these Financial Statements.

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28. Retirement benefit obligations

Defined contribution pension plan

The Group operates a defined contribution pension plan for all qualifying employees. The plan is administered and managed by Aviva and the Group matches member contributions, providing a minimum of 5% (2019: 5%) of salary is paid by the employee, on a pound-for-pound basis up to a maximum of 8%.

The total cost charged to income of £2,293,000 (2019: £2,255,000) represents contributions payable to the plan by the Group.

Defined benefit pension scheme

The Group sponsors a funded defined benefit pension scheme in the UK. The scheme is administered within a Trust which is legally separate from the Group. Trustees are appointed by both the Group and the scheme's membership and act in the interest of the scheme and all relevant stakeholders, including the members and the Group employers. The Trustees are also responsible for the investment policy for the scheme's assets. Existing scheme members continue to accrue benefits, but the scheme is closed to new entrants. Members accrue an annual pension of either 1/45th or 1/60th of final pensionable salary for each year of pensionable service. Increases in pensionable salary are limited to 1% per annum. Once in payment, pensions increase in line with inflation. The scheme also provides a two-thirds spouse's pension on the death of a member.

Active members of the scheme pay contributions at the rate of either 5% or 7% of pensionable salary and the Group employers pay the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme, whereas the accounting assumptions must be best estimates.

The Group has not recognised any obligation under a minimum funding requirement as it is entitled to a refund of any residual assets once all members have left the scheme.

The scheme poses a number of risks to the Group. These include:

Investment risk

The present value of obligations is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on the scheme's assets is below this rate the scheme deficit will increase.

Interest rate risk

A decrease in the yield on high-quality corporate bonds will reduce the discount rate and thus increase the value placed on the scheme's liabilities. However, this would be partially offset by an increase in the value of the scheme's bond investments.

Inflation risk

The present value of the liabilities is calculated by reference to a best estimate of future inflation. If inflation turns out to be higher than this estimate then the deficit will increase.

28. Retirement benefit obligations continued

Longevity risk

The present value of the liabilities is calculated using a best estimate of the life expectancy of scheme members. An increase in life expectancies will increase the scheme's liabilities.

A formal actuarial valuation was carried out as at 31 December 2018. The results of that valuation have been projected to 31 December 2020 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method. The main financial assumptions used in the valuation of the liabilities of the scheme under IAS 19 are:

	2020	2019
	%	%
Retail Prices Index (RPI)	**2.80**	2.80
Consumer Prices Index (CPI)	**2.20**	2.00
Pensionable salary increases	**1.00**	1.00
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.20**	2.00
Revaluation of deferred pensions	**2.20**	2.00
Liabilities discount rate	**1.40**	2.00

Mortality assumptions	**2020**	2019
	Years	Years
Retiring today (aged 65)		
Male	**21.8**	21.9
Female	**24.1**	24.2
Retiring in 20 years (currently aged 45)		
Male	**22.8**	23.0
Female	**25.3**	25.3

The mortality assumptions adopted are the Self Administered Pension Schemes (SAPS) tables with allowance for future improvements in line with Continuous Mortality Investigation (CMI) 2019 with an annual improvement of 1% per annum.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

		Impact on scheme liabilities	
	Change in assumption	Increase in assumption	Decrease in assumption
Rate of inflation	0.25%	Increase by 3.6%	Decrease by 3.4%
Rate of general increases in salaries	0.25%	Nil[1]	Nil[1]
Liabilities discount rate	0.25%	Decrease by 4.1%	Increase by 4.4%
Rate of mortality	1 year	Increase by 4.4%	Decrease by 3.8%

1 Increases in salaries above the 1% assumed would not affect the scheme liabilities as future increases in pensionable salaries are to be capped at a maximum of 1% per annum.

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28. Retirement benefit obligations continued

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

	2020 £'000	2019 £'000
Service cost:		
Current service cost	795	798
Ongoing scheme expenses	576	666
Past service cost	150	—
Net interest expense	433	439
Pension protection fund	206	227
Pension expenses recognised in profit or loss	2,160	2,130
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(13,898)	(15,106)
Actuarial losses/(gains) arising from changes in demographic assumptions	2,265	(724)
Actuarial gains arising from experience adjustments	—	(1,606)
Actuarial losses arising from changes in financial assumptions	27,346	25,373
Actuarial losses recognised in other comprehensive income	15,713	7,937
Total	17,873	10,067

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

	2020 £'000	2019 £'000
Present value of scheme obligations	235,143	208,318
Fair value of scheme assets	(198,698)	(185,353)
	36,445	22,965

This amount is presented in the Statement of Financial Position as follows:

	2020 £'000	2019 £'000
Non-current liabilities	36,445	22,965

Movements in the present value of scheme obligations in the year were as follows:

	2020 £'000	2019 £'000
At 1 January	208,318	186,785
Current service cost	795	798
Interest on obligation	4,098	5,138
Actuarial losses	29,610	23,043
Past service cost	150	—
Benefits paid	(7,828)	(7,446)
At 31 December	235,143	208,318

28. Retirement benefit obligations continued

Movements in the fair value of scheme assets in the year were as follows:

	2020 £'000	2019 £'000
At 1 January	185,353	170,075
Interest income	3,665	4,699
Actuarial gains on scheme assets	13,898	15,106
Employer contributions	4,186	3,585
Benefits paid	(7,828)	(7,446)
Ongoing scheme expenses	(576)	(666)
At 31 December	198,698	185,353

The categories of plan assets are as follows:

	2020 £'000	2019 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	39,934	34,882
Diversified credit funds	62,892	69,018
Cash and net current assets	2,826	2,024
Unquoted investments:		
Direct lending	28,521	24,764
Liability driven investment	31,626	23,887
Collateralised loan obligations	21,608	22,007
Special situations	11,291	8,771
At 31 December	198,698	185,353

The weighted average duration of the defined benefit obligation is 17 years (2019: 16 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2021 financial year is £4,200,000, being £4,200,000 payable by the Group and £nil payable by scheme members.

The Company's level of recovery plan funding to the scheme is £3,350,000 per annum and will increase by £100,000 per annum until the next triennial valuation. In addition to this, the Company contributes a further £260,000 per annum towards the administration expenses of the scheme.

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29. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are disclosed below:

Parent Company	2020 £'000	2019 £'000
Management charges receivable	1,963	1,260
Interest receivable	3,377	5,515
Interest payable	(1,802)	(2,128)
Rents payable	(156)	(156)
Recharge of expenses	51	59

Transactions between the Company and its remaining related parties are as follows:

Purchases of goods and services	2020 £'000	2019 £'000
Close family members of key management personnel (amounts paid for IT services)	49	42
Related companies of key management personnel (amounts paid for Non-executive Director services)	43	46

Amounts owing by related parties (note 18) or to related parties (note 23) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No significant provisions have been made for impaired receivables in respect of the amounts owed by related parties. Other than as disclosed above, there are no further related party transactions with joint ventures and associates.

Remuneration of key management personnel

The key management personnel of the Group are the Board of Directors and members of the Senior Management team of wholly owned subsidiaries, as presented on pages 70 to 73. They are responsible for making all of the strategic decisions of the Group and its subsidiaries, as detailed on pages 8 and 9 and 26 to 31. The remuneration of the Board of Directors is set out in the Remuneration Report on pages 106 to 127. The remuneration of the relevant four (2019: four) members of the Senior Management team is set out below, in aggregate, for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2020 £'000	2019 £'000
Short-term employee benefits	1,271	1,597
Post-employment benefits	19	13
Share-based payments	203	44
	1,493	1,654

30. Share capital

	Authorised, allotted, issued and fully paid	
	2020 £'000	2019 £'000
400,000 5.25% cumulative preference shares of £1 each (2019: 400,000)	**400**	400
133,181,537 ordinary shares of 10p each (2019: 133,172,602)	**13,318**	13,317
	13,718	13,717

The Company has one class of ordinary share which carries no rights to fixed income, but which entitles the holder thereof to receive notice and attend and vote at general meetings or appoint a proxy to attend on their behalf. During the year 8,935 ordinary shares (2019: 26,000) were issued in satisfaction of share option exercises.

Subject to Board approval, the preference shares carry the right to a cumulative preferential dividend payable half yearly at the rate of 5.25% per annum. They also carry a right, in priority to the ordinary equity, on a return of assets on a winding-up or reduction of capital, to repayment of capital, together with the arrears of any preferential dividend. With the exception of any resolution proposed to directly affect the rights or privileges of the holders of the preference shares, the holders thereof are not entitled to receive notice of, be present or vote at any general meeting of the Company.

Share-based payments

The Company operates the following share-based payment arrangements:

(i) The Henry Boot 2010 Sharesave Plan

This savings-related share option plan was approved by shareholders in 2010 and is HMRC approved. Grants of options to participating employees were made on 24 October 2017 at a price of 270.0p at a discount of 10%, on 4 October 2018 at a price of 262.0p at a discount of just under 5.8%, on 3 October 2019 at a price of 224.0p at a discount of just under 9.7% and on 5 October 2020 at a price of 237.0p at a discount of 6.0%. These become exercisable for a six-month period from 1 December 2020, 1 December 2021, 1 December 2022 and 1 December 2023 respectively. There are no performance criteria attached to the exercise of these options which are normally capable of exercise up to six months after the third anniversary of the Sharesave contract commencement date. The right to exercise options terminates if a participating employee leaves the Group, subject to certain exceptions.

2019

	Options outstanding at 1 January 2019	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2019**
October 2017 grant	779,744	**—**	**(533,735)**	**—**	**246,009**
October 2018 grant	277,300	**—**	**(163,459)**	**—**	**113,841**
October 2019 grant	—	**875,301**	**(11,811)**	**—**	**863,490**

2020

	Options outstanding at 1 January 2020	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2020**
October 2017 grant	246,009	**—**	**(66,456)**	**—**	**179,553**
October 2018 grant	113,841	**—**	**(27,342)**	**—**	**86,499**
October 2019 grant	863,490	**—**	**(124,794)**	**(3,935)**	**734,761**
October 2020 grant	—	**312,039**	**—**	**—**	**312,039**

The weighted average share price at the date of exercise for share options exercised during the year was 260.50p (2019: nil).

(ii) The Henry Boot 2015 Long-Term Incentive Plan

This plan was approved by shareholders at an AGM held on 21 May 2015. Details of the plan and the vesting requirements are also set out in the Directors' Remuneration Policy which is also available to view on the website.

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30. Share capital continued

In respect of (ii) above, the aggregate total of movements in share options granted and awards of shares is as follows:

	2020 Number	2019 Number
Share options granted at 1 January	**1,115,063**	1,010,623
Lapses of share options in year	**(176,301)**	(47,830)
Awards of shares in year	**(311,640)**	(241,095)
Share options granted in year	**451,085**	393,365
Share options granted at 31 December	**1,078,207**	1,115,063

The weighted average share price at the date of exercise for share options exercised during the year was 235.00p (2019: 253.00p).

(iii) The Henry Boot PLC 2010 Approved Company Share Option Plan

This plan, more commonly known as a CSOP, was approved by shareholders in 2010 and is HMRC approved. Any full-time Director or employee (full-time or part-time) is eligible to participate at the discretion of the Remuneration Committee of the Board. Options are granted by deed with no consideration payable by the participant. The aggregate subscription price at the date of grant of all outstanding options granted to any one participant under the plan and any other HMRC approved plan operated by the Company (but excluding options granted under any savings-related share option plan) must not exceed £30,000. The aggregate market value at the date of grant of ordinary share options which may be granted to any one participant in any one financial year of the Company shall not normally exceed two times the amount of a participant's remuneration for that financial year. The Remuneration Committee may impose objective conditions as to the performance of the Group which must normally be satisfied before options can be exercised. Options are normally exercisable only within the period of three to ten years after the date of grant. The right to exercise options generally terminates if a participant leaves the Group, subject to certain exceptions. The first grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 17 May 2011 at an option price of 121.5p. The second grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 1 October 2014 at an option price of 191.0p. The third grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 6 October 2017 at an option price of 298.9p. The fourth grant of options under the plan was made to certain employees (two of whom at the time were Directors of Group companies) on 14 September 2018 at an option price of 291.0p. The fifth grant of options under the plan was made to certain employees (two of whom at the time were Directors of Group companies) on 3 October 2019 at an option price of 249.0p. The sixth grant of options under the plan was made to certain employees (none of whom at the time were Directors of Group companies) on 5 October 2020 at an option price of 237.0p There were no performance conditions imposed on either of these grants.

2019

	Options outstanding at 1 January 2019	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2019**
May 2011 grant	16,000	**—**	**—**	**(6,000)**	**10,000**
October 2014 grant	35,000	**—**	**—**	**(20,000)**	**15,000**
October 2017 grant	148,910	**—**	**(14,220)**	**—**	**134,690**
September 2018 grant	289,341	**—**	**(19,916)**	**—**	**269,425**
October 2019	—	**446,848**	**(2,010)**	**—**	**444,838**

2020

	Options outstanding at 1 January 2020	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2020**
May 2011 grant	10,000	**—**	**—**	**(5,000)**	**5,000**
October 2014 grant	15,000	**—**	**—**	—	**15,000**
October 2017 grant	134,690	**—**	**—**	**(4,183)**	**130,507**
September 2018 grant	269,425	**—**	**—**	**(5,860)**	**263,565**
October 2019 grant	444,838	**—**	**—**	**(7,432)**	**437,406**
October 2020 grant	—	**416,316**	**—**	**—**	**416,316**

The weighted average share price at the date of exercise for share options exercised during the year was 253.00p (2019: 255.85p).

30. Share capital continued

Fair value

Fair value is measured by a Monte Carlo pricing model using the following assumptions:

	Weighted average exercise price	Weighted average share price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
LTIP	Nil	241.0p to 294.0p	29.37% to 36.57%	3 years	0.00% to 0.94%	2.14% to 3.24%
CSOP 2011	121.5p	121.5p	41.47%	3 years	1.67%	5.02%
CSOP 2014	191.0p	191.0p	31.17%	3 years	1.23%	3.16%
CSOP 2017	298.9p	309.0p	30.37%	3 years	0.51%	3.02%
CSOP 2018	291.0p	291.0p	29.28%	3 years	0.91%	2.90%
CSOP 2019	*249.0p*	249.0p	29.25%	3 years	0.28%	3.24%
CSOP 2020	**263.0p**	**263.0p**	**38.07%**	**3 years**	**0.00%**	**2.61%**
Sharesave 2014	172.0p	181.0p	31.45%	3 years	0.82%	3.16%
Sharesave 2017	270.0p	300.0p	30.30%	3 years	0.51%	3.02%
Sharesave 2018	262.0p	278.0p	29.53%	3 years	0.99%	2.90%
Sharesave 2019	224.0p	248.0p	29.25%	3 years	0.28%	3.24%
Sharesave 2020	**237.0p**	**263.0p**	**38.07%**	**3 years**	**0.00%**	**2.61%**

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

The weighted average fair value of share options granted during the year was 76.64p (2019: 61.91p).

Expense recognised in the Consolidated Statement of Comprehensive Income

	2020 £'000	2019 £'000
The total expense recognised in the Consolidated Statement of Comprehensive Income arising from share-based payment transactions	**975**	826

The total expense recognised in the Consolidated Statement of Comprehensive Income arose solely from equity-settled share-based payment transactions.

31. Reserves

			Other			
Group	Property revaluation £'000	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Total other £'000
At 1 January 2019	3,397	276,999	271	5,867	209	6,347
Change in accounting policy	—	(154)	—	—	—	—
Profit for the year	—	37,596	—	—	—	—
Dividends paid	—	(12,621)	—	—	—	—
Premium arising from shares issued	—	—	—	43	—	43
Decrease in fair value in year	(404)	—	—	—	—	—
Transfer from non-controlling interests	—	(1,856)	—	—	—	—
Arising on employee share schemes	—	216	—	—	—	—
Unrecognised actuarial loss	—	(7,937)	—	—	—	—
Deferred tax on actuarial loss	—	1,350	—	—	—	—
At 31 December 2019	2,993	293,593	271	5,910	209	6,390
Profit for the year	**—**	**11,921**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**(4,664)**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**—**	**14**	**—**	**14**
Decrease in fair value in year	**(651)**	**—**	**—**	**—**	**—**	**—**
Arising on employee share schemes	**—**	**288**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**—**	**(15,713)**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**—**	**3,089**	**—**	**—**	**—**	**—**
At 31 December 2020	**2,342**	**288,514**	**271**	**5,924**	**209**	**6,404**

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31. Reserves continued

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Share premium £'000	Capital £'000	Investment revaluation £'000	Total other £'000
At 1 January 2019	85,513	271	5,867	211	1,135	7,484
Change in accounting policy	(7)	—	—	—	—	—
Profit for the year	12,350	—	—	—	—	—
Dividends paid	(12,621)	—	—	—	—	—
Premium arising from shares issued	—	—	43	—	—	43
Arising on employee share schemes	(256)	—	—	—	—	—
Unrecognised actuarial loss	(7,939)	—	—	—	—	—
Deferred tax on actuarial loss	1,350	—	—	—	—	—
At 31 December 2019	78,390	271	5,910	211	1,135	7,527
Profit for the year	**552**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**(4,664)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**14**	**—**	**—**	**14**
Arising on employee share schemes	**(297)**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**(15,713)**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**3,089**	**—**	**—**	**—**	**—**	**—**
At 31 December 2020	**61,357**	**271**	**5,924**	**211**	**1,135**	**7,541**

Property revaluation reserve

The property revaluation reserve represents the unrealised surpluses arising on revaluation of the Group occupied land and buildings and is not available for distribution until realised on disposal.

Retained earnings

Retained earnings represent the accumulated profits and losses of the Group. This reserve is distributable to the extent it does not arise from revaluation gains.

Capital redemption reserve

The capital redemption reserve represents the purchase and cancellation by the Company of its own shares and comprises the aggregate nominal value of all the ordinary shares repurchased and cancelled. This reserve in not distributable.

Share premium reserve

The share premium reserve represents the difference between the sums received from the issue of shares and their nominal value net of share issue expenses. This reserve is not distributable.

Capital reserve

The capital reserve represents realised profits arising on the disposal of investments and is available for distribution.

Investment revaluation reserve

This reserve was carried forward from previous accounting framework, and represents accumulated unrealised revaluation gains. This is distributable only when the related investment is sold or impaired.

32. Cost of shares held by the ESOP trust

	2020 £'000	2019 £'000
At 1 January	**1,248**	1,260
Additions	**615**	598
Disposals	**(687)**	(610)
At 31 December	**1,176**	1,248

Quoted investments represent own shares held by the Henry Boot PLC Employee Trust as an ESOP to provide an incentive to greater ownership of shares in the Company by its employees.

32. Cost of shares held by the ESOP trust continued

At 31 December 2020, the Trustee held 475,574 shares (2019: 537,214 shares) with a cost of £1,175,526 (2019: £1,247,665) and a market value of £1,213,715 (2019: £1,713,713). All of these shares were committed to satisfy existing grants by the Company under the Henry Boot PLC 2015 Long-Term Incentive Plan. In accordance with IAS 32, these shares are deducted from shareholders' funds. Under the terms of the Trust, the Trustee has waived all dividends on the shares it holds.

33. Cash generated from operations

		Group		Parent Company	
		2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Profit before tax		**17,079**	49,104	**(162)**	12,701
Adjustments for:					
Amortisation of PFI asset	11	**570**	555	**—**	—
Goodwill impairment	11	**2,218**	205	**—**	—
Depreciation of property, plant and equipment	12	**3,585**	4,661	**203**	209
Depreciation of right-of-use assets	13	**987**	1,250	**56**	60
Revaluation increase in investment properties	14	**(1,266)**	(2,370)	**—**	—
Amortisation of capitalised letting fees	3	**30**	18	**—**	—
Share-based payment expense	4	**975**	826	**391**	354
Pension scheme credit		**(2,233)**	(1,684)	**(2,233)**	(1,684)
Movements on provision against investments in subsidiaries	15	**—**	—	**—**	(3,935)
Movements on provision against loans to subsidiaries		**—**	—	**3,818**	3,478
Loss on disposal of assets held for sale	3	**—**	56	**—**	—
Profit on disposal of property, plant and equipment	3	**(939)**	(1,140)	**—**	—
Loss on disposal of right-of-use assets	3	**89**	34	**3**	2
Loss on disposal of investment properties		**95**	238	**—**	—
Gain on disposal of joint ventures and subsidiaries		**(7,426)**	—	**—**	—
Finance income	5	**(721)**	(494)	**(3,666)**	(5,552)
Dividends received from subsidiaries		**—**	—	**(7,897)**	(17,180)
Finance costs	6	**1,117**	1,740	**2,172**	2,884
Share of profit of joint ventures and associates	16	**(1,756)**	(1,448)	**—**	—
Operating cash flows before movements in equipment held for hire		**12,404**	51,551	**(7,315)**	(8,663)
Purchase of equipment held for hire	12	**(2,201)**	(3,700)	**—**	—
Proceeds on disposal of equipment held for hire		**1,159**	1,363	**—**	—
Operating cash flows before movements in working capital		**11,362**	49,214	**(7,315)**	(8,663)
Increase in inventories		**(31,285)**	(14,769)	**—**	—
Decrease/(increase) in receivables		**39,800**	(33,649)	**(11,852)**	38,566
Decrease in contract assets		**5,757**	23,687	**—**	—
(Decrease)/increase in payables		**(2,052)**	(10,040)	**13,589**	16,575
(Decrease)/increase in contract liabilities		**(2,446)**	7,082	**—**	—
Cash generated from operations		**21,136**	21,525	**(5,578)**	46,478

Net cash is an alternative performance measure used by the Group and comprises the following:

Analysis of net cash:					
Cash and cash equivalents		**42,125**	42,303	**31,615**	37,316
Bank overdrafts	26	**—**	—	**(1,421)**	(1,012)
Net cash and cash equivalents		**42,125**	42,303	**30,194**	36,304
Bank loans	26	**(9,969)**	(7,757)	**—**	—
Leases liabilities	13	**(2,216)**	(4,637)	**(140)**	(165)
Government loans	26	**(2,941)**	(2,941)	**—**	—
Net cash		**26,999**	26,968	**30,054**	36,139

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34. Guarantees and contingencies

The Parent Company has guaranteed the performance of certain contracts entered into by Group undertakings in the ordinary course of business. These guarantees are impracticable to quantify.

The Parent Company has given cross guarantees to certain of the Group's bankers and bondsmen in respect of facilities available to Group undertakings in the normal course of business. At the year end amounts guaranteed against these facilities were £nil and £10,736,000 respectively.

In the opinion of the Directors, no loss is expected to arise in connection with these matters.

35. Business combinations

On 9 August 2019 the Group acquired 60% of the share capital of Starfish Commercial Ltd for consideration of £540, the remaining 40% was acquired on 23 December 2019 for consideration of £nil.

Starfish, which operates an office in Derbyshire, is a multi-tenure housing contractor, and is an established supplier to several Housing Associations and Local Authorities. It has been delivering affordable and social housing units for the last four years, often via framework arrangements. Starfish was also a joint venture partner with Magenta Living in a company known as Hilbre Homes, providing sustainable housing opportunities in the Cheshire area. The Company's position as an established provider of affordable and social housing enabled Henry Boot Construction Limited to take a step into this new operational area.

The goodwill arising on acquisition was attributable to the acquired reputation and customer base and economies of scale expected from the combined operations. None of the goodwill was expected to be deductible for corporation tax purposes.

The following table summarises the consideration paid for Starfish Commercial Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	2019 £'000
Business combinations	
Consideration paid 9 August 2020	
Cash	1
	1
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	(152)
Property, plant and equipment	22
Deferred tax	109
Trade and other receivables	2,226
Trade and other payables	(5,562)
Total identifiable net assets	(3,357)
Less: non-controlling interests	1,342
Goodwill	2,015
Total	—

Acquisition-related costs of £64,000 were charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2019.

The assets acquired as part of the business combination were all considered to be at fair value and all receivables deemed to be fully recoverable.

The revenue included in the consolidated statement of comprehensive income for the year ended 31 December 2019 was £3,810,000. Starfish Commercial Limited also contributed loss before tax of £1,834,000 over the same period.

Had Starfish Commercial Ltd been consolidated from 1 January 2019, the consolidated statement of comprehensive income would show revenue of £7,790,000 and loss before tax of £4,418,000.

36. Events after the balance sheet date

In January 2021 the nation entered a third lockdown as a result of the CV-19 pandemic. While clearly this has impacted the Group's operations, there has been no materially negative impact on the Group's results to date.

On 26 February 2021 the Group repaid all furlough grants claimed under the Government's Coronavirus Job Retention Scheme. The total amount claimed and repaid was £0.8m, all of which related to the 2020 financial year. As the decision to repay was taken after the year end, this event has been classified as a non-adjusting post balance sheet event.

Executive Directors voluntarily reduced salaries by 20% from 1 April 2020 to 1 October 2020, for the duration of the most severe impact of the pandemic. Following the year end these salary reductions for Executive Directors were repaid in full, to mirror the experience of the wider workforce in having received 100% of salary during the pandemic.

The Group has commenced consultation with active members of the defined benefit pension scheme in 2021 with a view to closing the scheme to future accrual.

Other disclosable events after the balance sheet date include the proposal of a final dividend for 2020, further information can be found in note 10.

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

37. Disposals of joint ventures and subsidiaries

The Group has completed on two disposals during the year:

a) Starfish Commercial Ltd

On 14 September 2020 the Group, through its subsidiary Henry Boot Construction Limited, placed its wholly owned subsidiary Starfish Commercial Ltd into creditors voluntary liquidation.

	2020 £'000
Sales proceeds	–
Book value of net liabilities	1,262
Sales costs	–
Profit on disposal	**1,262**

b) Ansty Developments LLP

On 12 November 2020 the Group, through its subsidiary Hallam Land Management Limited, disposed of its interest in Ansty Developments LLP for a total consideration of £6,250,000.

	2020 £'000
Sales proceeds	6,250
Book value of net assets	–
Sales costs	(86)
Profit on disposal	**6,164**

38. Additional information – subsidiaries, joint ventures and associates

Details of the Company's subsidiaries, joint ventures and associates, all of which are incorporated in England (unless otherwise stated) and are consolidated in the Group Financial Statements at 31 December 2020, are as follows:

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Banner Plant Limited	100%	Direct	Plant hire
Brookfield Garth Hampsthwaite Management Company Limited[1]	50%	Indirect	Management company
Buffergone Limited	100%	Direct	Inactive
Butterfield Quad Management Company Limited	100%	Indirect	Management company
Capitol Park Property Services Limited	4.6%	Indirect	Management company
Chocolate Works York Management Company Limited	100%	Indirect	Management company
Comstock (Kilmarnock) Ltd.	100%	Indirect	Land promotion

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for the year ended 31 December 2020

38. Additional information – subsidiaries, joint ventures and associates continued

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
First National Housing Trust Limited	100%	Direct	Property investment
Fox Valley Management Company Limited[1]	50%	Indirect	Management company
Hallam Land Management Limited	100%	Direct	Land promotion
HB Island Limited	100%	Direct	Property development
HBGP Limited	100%	Direct	Property development
Henry Boot Biddenham Limited	100%	Direct	Land promotion
Henry Boot Construction Limited	100%	Direct	Construction
Henry Boot Contracting Limited	100%	Direct	Inactive
Henry Boot Developments Limited	100%	Direct	Property investment and development
Henry Boot Cornwall House Limited	100%	Indirect	Inactive
Henry Boot Estates Limited	100%	Direct	Property investment
Henry Boot Investments 1 Limited	100%	Indirect	Property development
Henry Boot Inner City Limited	100%	Direct	Inactive
Henry Boot 'K' Limited	100%	Indirect	Property investment and development
Henry Boot Land Holdings Limited	100%	Direct	Land promotion
Henry Boot (Launceston) Limited	100%	Direct	Land promotion
Henry Boot Leasing Limited	100%	Direct	Motor vehicle leasing to Group companies
Henry Boot (Manchester) Limited	100%	Direct	Property development
Henry Boot Nottingham Limited	100%	Indirect	Inactive
Henry Boot Projects Limited	100%	Direct	Inactive
Henry Boot Swindon Limited	100%	Direct	Land promotion
Henry Boot Tamworth Limited	100%	Indirect	Property investment and development
Henry Boot Wentworth Limited	100%	Direct	Property development
IAMP Management Company Limited	100%	Indirect	Management company
Investments (North West) Limited	100%	Indirect	Property development
Kingsley Road Harrogate Management Company Limited[1]	50%	Indirect	Management company
Marboot Centregate Ltd	100%	Indirect	Property investment
Marboot Centregate 2 Limited	100%	Indirect	Property investment
Moore Street Securities Limited	100%	Direct	Employee benefit trust
Moorlands Cleckheaton Management Company Limited[1]	50%	Indirect	Management company
Plot 7 East Markham Vale Management Company Limited	66.7%	Indirect	Management company
Road Link (A69) Holdings Limited	61.2%	Indirect	Holding company
Road Link (A69) Limited	61.2%	Indirect	PFI road maintenance
St John's Manchester Limited	100%	Indirect	Property development
Saltwoodend Limited	100%	Indirect	Inactive
Stonebridge Homes Group Limited[1]	50%	Indirect	Holding company
Stonebridge Offices Limited[1]	50%	Indirect	Property investment
Stonebridge Homes Limited[1]	50%	Indirect	Property development
Victoria Gardens (Headingley) Management Company Ltd[1]	50%	Indirect	Management company
Weyland Road Management Company Limited[1]	50%	Indirect	Management company
Willow Crest Cawood Management Company Limited[1]	50%	Indirect	Management company
The Willows Whinney Lane Management Company Limited[1]	50%	Indirect	Management company
Winter Ground Limited	100%	Indirect	Property development
Woodside Park Newlay Estate Management Company Limited[1]	50%	Indirect	Management company

1 Stonebridge related entities are included as subsidiaries due to the Group's additional voting rights, having two of the three director appointments.

38. Additional information – subsidiaries, joint ventures and associates continued

Joint ventures and associates	Proportion of ownership	Direct or indirect	Activity
Aytoun Street Developments Limited	50%	Indirect	Property development
Bigmouth Manchester Limited	50%	Indirect	Property development
Cognito Oak LLP	50%	Indirect	Property development
Crimea Land Mansfield LLP	50%	Indirect	Land promotion
HBB Preston East Ltd	50%	Indirect	Property development
HBB Roman Way Limited	50%	Indirect	Property development
Henry Boot Barnfield Limited	50%	Indirect	Property development
I-Prop Developments Limited	50%	Indirect	Inactive
Island Site Limited Partnership	50%	Indirect	Property development
Island Site (General Partner) Limited	50%	Indirect	Property development
Island Site (Nominee) Limited	50%	Indirect	Property development
Kirklees Henry Boot Partnership Limited	50%	Indirect	Inactive
Markey Colston Limited	18.4%	Indirect	Property investment
Montagu 406 Regeneration LLP	50%	Indirect	Property investment
MVNE LLP	50%	Indirect	Property development
Newmarket Lane Holding Limited	50%	Indirect	Property development
Newmarket Lane Limited	50%	Indirect	Property development
Newmarket Lane Management Company Limited	50%	Indirect	Management company
Pennine Property Partnership LLP	50%	Indirect	Property investment and development
Road Link Limited	37.6%	Indirect	Inactive

The address of the registered office of all subsidiaries, joint venture and associates is the same as the Parent Company, with the exception of:

Road Link Limited, Road Link (A69) Limited and Road Link (A69) Holdings Limited whose registered office is Stocksfield Hall, Stocksfield, Northumberland, NE43 7TN.

Comstock (Kilmarnock) Ltd. whose registered office is 48 St. Vincent Street, Glasgow, G2 5HS.

Woodside Park Newlay Estate Management Company Limited, Fox Valley Management Company Limited, Moorlands Cleckheaton Management Company Limited, Brookfield Garth Hampsthwaite Management Company Limited, Kingsley Road Harrogate Management Company Limited, Weyland Road Management Company Limited, Willow Crest Cawood Management Company Limited, The Willows Whinney Lane Management Company Limited and Victoria Gardens (Headingley) Management Company Ltd whose registered office is 1 Featherbank Court, Horsforth, Leeds, LS18 4QF.

Henry Boot Barnfield Limited, HBB Roman Way Limited and HBB Preston East Limited whose registered office is 8 Kenyon Road, Lomeshaye Industrial Estate, Nelson, Lancashire, England, BB9 5SP.

Kirklees Henry Boot Partnership Limited whose registered office is Legal Services, 2nd Floor Civic Centre 3, Huddersfield, West Yorkshire, HD1 2WZ.

Markey Colston Limited whose registered office is Q1 Quadrant Way, Hardwicke, Gloucester, GL2 2RN.

Cognito Oak LLP whose registered office is Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, Scotland, AB10 1DQ.

Island Site Limited Partnership whose registered office is Guardsman Tony Downes House, 5 Manchester Road, Droylsden, Tameside, M43 6SF.

Crimea Land Mansfield LLP whose registered office is C/O Harworth Group, Advantage House Poplar Way, Catcliffe, Rotherham, S60 5TR, United Kingdom