Henry Boot PLC
Annual Report and Financial Statements
for the year ended 31 December 2012

Building long-term value

Henry Boot PLC is one of the UK's leading and long-standing property, land and construction companies

Our key objective is to maximise long-term shareholder value through the development of and investment in high quality property assets, the promotion of new land development opportunities, construction and plant hire activities.

www.henryboot.co.uk

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Land

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Banner

Visit www.henryboot.co.uk or scan this QR code with your smartphone to find out more about Henry Boot and its companies.

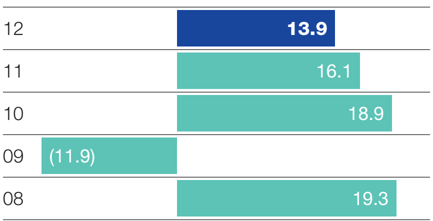
Key financial highlights

- Profit before tax: £13.9m (2011: £16.1m)
- Property revaluation surplus: £1.4m (2011: deficit £4.3m)
- Investment property disposal profits: £1.0m (2011: £Nil)
- Trading profits*: £12.3m (2011: £20.8m)
- Profit after tax: £11.5m (2011: £10.8m)
- Earnings per share increased 6% to 7.3p (2011: 6.9p)
- Proposed final dividend of 2.90p (2011: 2.60p), giving a total for the year of 4.70p (2011: 4.25p), an 11% increase
- Net asset value per share: 139p (2011: 142p)
- Investment in strategic land inventories of £19.4m saw a planned net debt rise to £21.9m (2011: £2.3m) and gearing to 12% (2011: 1%)

* Trading profits comprise operating profit of £14.7m (2011: £16.9m), adjusted for the increase in fair value of investment property of £1.4m (2011: decrease £4.3m), profit on sale of investment properties of £1.0m (2011: £Nil) and loss on sale of assets held for sale of £Nil (2011: profit £0.4m).

Profit before tax (£m)

£13.9m

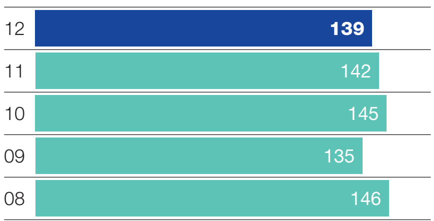


Dividends per ordinary share (p)

4.70p

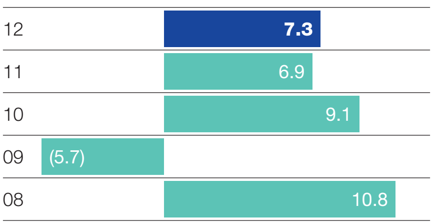
Net asset value per ordinary share (p)

139p



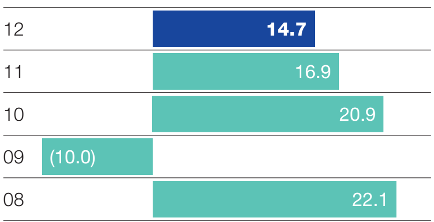
Earnings per ordinary share (p)

7.3p



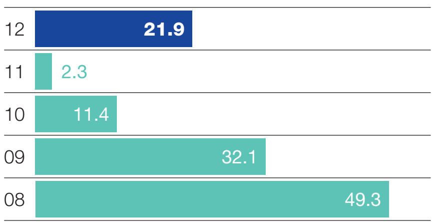
Operating profit (£m)

£14.7m



Net debt (£m)

£21.9m



At a glance

Who we are

We have four principal trading subsidiary companies operating in the property investment and development, land development, construction and plant hire sectors.

Where we operate

Head office
1 Sheffield

Offices
1 Bristol
2 Dronfield
3 Glasgow
4 Leeds
5 London
6 Manchester
7 Northampton
8 Stocksfield

Hire centres
1 Chesterfield
2 Dronfield
3 Derby
4 Leeds
5 Rotherham
6 Wakefield

Henry Boot Developments Limited

Formed 1978

A major force in the UK property development market. With its considerable experience and impressive reputation in all sectors of property development, the Company has built up a substantial investment portfolio in recent years.

Head office
Banner Cross Hall
Ecclesall Road South
Sheffield S11 9PD
t: 0114 255 5444
e: hbdl@henryboot.co.uk
www.henrybootdevelopments.co.uk

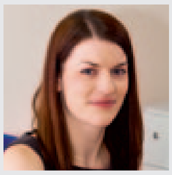
Regional offices
South East – London t: 020 7495 6419
South West – Bristol t: 01454 275 261
North West – Manchester t: 0161 830 8000
North East – Sheffield t: 0114 255 5444
Scotland – Glasgow t: 01698 464 325

House builder
Stonebridge Projects Limited t: 0113 357 1100

Managing Director David Anderson

Tenure with Henry Boot 23 years

What we do "Our principal activities are twofold. Firstly, we identify and secure development opportunities, and add value through securing planning permissions, undertaking development and lettings or sales to prospective occupiers. Secondly, we actively manage our existing property investment portfolio to drive income and maximise investment values."



"Henry Boot had been recommended to me as a great place to work and as a Company who truly values its employees."

Fiona Cope is HR Advisor for Henry Boot PLC and has worked for the Company for two years.

Hallam Land Management Limited

Formed 1989

The strategic land and planning promotion arm of the Henry Boot Group. Our experienced land and planning teams promote and deliver land opportunities through the complexities of the UK planning system.

Head office
Banner Cross Hall
Ecclesall Road South
Sheffield S11 9PD
t: 0114 255 5444
e: hallamland@henryboot.co.uk
www.hallamland.co.uk

Regional offices
South East – London t: 020 7495 6419
South West – Bristol t: 01454 625 532
South Midlands – Northampton t: 01604 646 588
North Midlands – Sheffield t: 0114 255 5444
North West – Manchester t: 0161 830 8004
North East – Sheffield t: 0114 255 5444
Scotland – Glasgow t: 01698 464 320

Managing Director Keran Power

Tenure with Henry Boot 23 years

What we do "We trade in land and are able to add value to that land through the planning process. The UK planning system is notoriously protracted, complex, expensive and unpredictable and, as a result of our renowned expertise in this field, we continue to secure valuable planning permissions for many different types of land use."

Henry Boot Construction Limited

Formed 1970

We specialise in serving both public and private clients in all construction sectors, including civil engineering. Our jobs are delivered to the highest quality, safely, on time, within agreed costs and to the maximum benefit to all parties.

Head office
Callywhite Lane
Dronfield
Derbyshire S18 2XN
t: 01246 410 111
e: hbc@henryboot.co.uk
www.henrybootconstruction.co.uk

Regional offices
Eastern – Dronfield t: 01246 410 111
Western – Manchester t: 0161 273 5302
Road Link – Stocksfield t: 01661 842 842

Managing Director Simon Carr

Tenure with Henry Boot 25 years

What we do "We are an award-winning contractor committed to the highest standards of health and safety, project delivery and reducing environmental impact. This high quality service is only possible through the dedication and talent of our long serving workforce."

Banner Plant Limited

Formed 1962

We offer a wide range of products and services for sale and hire. Continuing investment is made to develop and meet the increasing needs of its many varied customers in commerce, industry and the general public.

Head office
Callywhite Lane
Dronfield
Derbyshire S18 2XS
t: 01246 299 400
e: dronfield@bannerplant.co.uk
www.bannerplant.co.uk

Regional offices
Chesterfield t: 01246 268 593
Derby t: 01332 752 035/751 762
Leeds t: 0113 240 6350
Rotherham t: 01709 515 655/511 500
Dronfield t: 01246 299 400
Wakefield t: 01924 283 487

Managing Director Giles Boot

Tenure with Henry Boot 30 years

What we do "We are a regional hire company that offers products and services in six distinct areas: plant, temporary accommodation, power tools, powered access, large air compressors and serviced toilets. We pride ourselves on the service we deliver to the industry and general public alike."

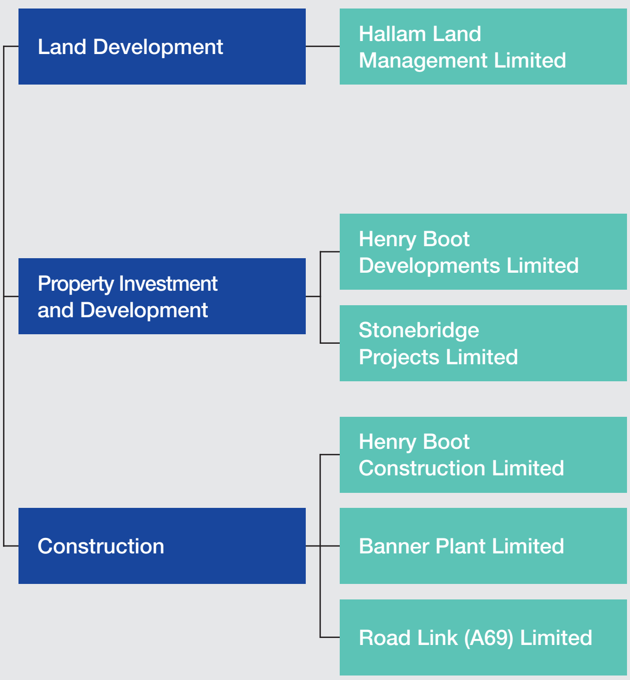
Strategy

What we do

The Group's main objective is to maximise shareholder value in the longer term through active commercial development and land management, allied to recurring income from investment property, road management, construction and plant hire activities.

Group structure

Each Group company is managed autonomously and has set objectives to maximise profits and create valuable long-term asset-backed opportunities.



See note 35 on page 84 for a list of principal active subsidiaries and joint venture partners

Our strategic objectives

1 Provide growing long-term shareholder returns

Key resources
- Robust financial position

Performance measures
- Shareholder value
- Shareholders' funds

2 Maintain prudent levels of gearing at less than 50% of net assets

Key resources
- Robust financial position

Performance measures
- Gearing levels
- Revenue

3 Build recurring income streams through retained development

Key resources
- Our development portfolio

Performance measures
- Revenue
- Return on capital employed
- Investment property

4 Increase the strategic land bank

Key resources
- Strategic land bank
- Inventories

Performance measures
- Asset value created

5 Achieve a return on capital in excess of 10%

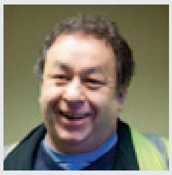
Key resources
- Our development and land portfolios
- Construction activities

Performance measures
- Profit
- Net assets
- Return on capital employed

6 Target high levels of dividend cover to build asset base

Key resources
- Robust financial position

Performance measures
- Earnings per share
- Dividend cover



"I feel after 33 years with the Company I know what the Company is looking to achieve and I know what an important part I can play in achieving that."

Steve Hynes is Senior Service Manager for Banner Plant Limited and has worked for the Company for 33 years.

Our key resources

The Group has the following key resources to assist it in the pursuit of its main objectives:

People

The Group's employees are its foremost asset. Their skill, commitment, drive and enthusiasm are vitally important to the long-term success of our business. We succeed in the delivery of shareholder value because our people, individually, achieve the targets set for them. They source and acquire land, promote planning consents, acquire, develop, manage or sell investment properties and service constructors with plant, run our PFI project and refurbish and construct buildings.

Strategic land bank

At 31 December 2012 we owned 1,765 acres and had interests in a further 7,246 acres through option or agency agreements which give us the right to promote that land for a planning consent and share in the benefit created on ultimate disposal. We anticipate that this land bank will grow in future years and represents a significant future profit opportunity to the Group. Within that acreage, at 31 December 2012 we had planning permission for over 6,500 house units on some 26 sites.

See more about our strategic land bank
Page 18

Our development portfolio

We have an extensive geographical spread of commercial development opportunities within the UK on sites across the retail, leisure, office and industrial sectors. The current portfolio should allow us to maintain current activity levels for several years and in particular food stores currently offer very strong returns. In some circumstances completed investments may give a better return than developments and will be considered alongside and as an alternative to development.

See more about our development portfolio
Page 15

Construction activities

The construction business works on an order book of between one and two years, though several of the framework contracts it has are spread over several years. We have many years' experience working in our chosen markets and have delivered many successful projects and developed strong relationships with our key customers. Our plant hire business operates from six locations and has a modern, well maintained fleet of assets servicing the construction sector. Furthermore we operate our own delivery fleet to ensure that our customers' requirements are satisfied quickly. Our PFI asset is well established, cash generative and efficiently maintained and has 13 years remaining on the concession; furthermore, the market for PFI assets remains strong even in the event of disposal.

See more about our construction activities
Page 24

Robust financial position

We have long-established relationships with our three key funding partners, Barclays Bank, Lloyds Banking Group and Royal Bank of Scotland. We maintain significant headroom within our three year banking facilities, renewed from May 2012, and consider our property investment portfolio as a 'store of value' to be realised to augment these facilities if required. The land bank and development opportunities, together with the investment portfolio, have been acquired largely from retained resources, ensuring our gearing levels are prudent. In the longer term we aim to achieve a high return on capital employed and a healthy dividend cover level allowing for reinvestment in our core activities which, in turn, improves longer-term shareholder returns.

See more about our financial position
Page 26

Strategy continued

How we do it

Our key resources, expertise and experience enable us to provide added value to the projects that we undertake. The Group possess a high quality strategic land bank, a substantial investment portfolio and an enviable reputation in the property development market. It has a construction specialism in both the public and private sectors, a large and varied plant holding, and generates strong cash flows from its PFI contract through Road Link (A69) Limited.

We create wealth in a number of ways.

Strategic land sites in portfolio

125 sites

Total interests held at December 2012

9,011 acres

1 Stage one Identify land

Sites with development potential are identified and sourced by our regional land and planning teams.

2 Stage two Acquire land

We then take these sites through our legal and planning due diligence processes before purchase or planning promotion agreements are finalised.

A strong project pipeline

£50m

Forward order book in construction business

£44.2m

Circa 18 schemes being brought forward through planning process for commercial development

720,750 sq ft

14 investment properties 93% occupied

£18m

Value of 2 development schemes (Manchester and Huddersfield) where work is ongoing

£26m

Gross value of plant assets available to rent

2,750

Circa live plant contracts per week (average)

Inventory value of assets

£75.9m

Interests brought under control in 2012

960 acres

Sites with residential planning permission

25 sites

Sites working through legal and planning due diligence before submitting an application

20 sites

Percentage of land bank with planning consent or a local plan allocation

21%

Sites within the planning process

19 sites

3 Stage three Commence planning process

We apply sound planning principles to promote sites through the planning system for the most appropriate uses.

4 Stage four Submit planning application

We consider the most appropriate time for a planning application and liaise fully with all stakeholders.

5 Stage five Granted planning permission

We secure detailed planning permission, maximise the value of the site, and commence the sale process.

3 sites

Building over 30 residential units, a further 3 more sites in the process of being acquired

£7.2m

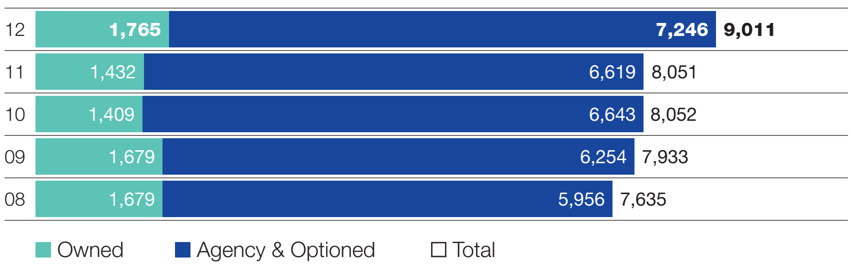
14 investment properties average annual rent roll

A large strategic land bank

We consider ourselves to possess one of the top ten largest strategic land banks in the UK; we include house builders in this consideration.

Land bank (acres)

9,011 +12% (2011–2012)



Chairman's statement

Year of strong progress

In my second year as Chairman, I am pleased to report another year of strong progress throughout the Group in challenging construction and property markets.

John Brown
Chairman

In summary

- We have invested heavily in the land portfolio which now stands at over 9,000 acres. Furthermore, we achieved a significant number of planning permissions which will feed into sales during 2013 and beyond.
- Strategically we must now capitalise on these valuable assets, whilst at the same time growing the opportunity pipeline to ensure we continue the momentum in years to come.
- We have made a strong start to 2013 across all our businesses. Plant and construction activity is ahead of 2012 and Road Link (A69) Limited is performing to plan.
- We have geared up our balance sheet to take advantage of the nascent recovery, investing in the business opportunities that will generate growing shareholder returns into the future.

In my second year as Chairman, I am pleased to report another year of strong progress throughout the Group in challenging construction and property markets.

In the early part of the year under review confidence was dented by concerns surrounding the Euro crisis; however, in the second half, as those fears subsided, trading conditions improved and so did our performance. The result in 2011 benefited from comparatively higher land sales and, although 2012 was relatively quiet in sales terms, we have invested heavily in the land portfolio which now stands at over 9,000 acres. Furthermore, we achieved a significant number of planning permissions which will feed into sales during 2013 and beyond. In addition to the successes achieved in gaining planning permissions, we have a significant number of strategic land sites either progressing towards a planning application or already within the planning system. These will provide further good opportunities to grow sales in future years. UK house builders that have announced results in the early part of 2013 have reported increases in build and sale activity, selling prices and building plots purchased. These comments, allied to the slow but steady improvement in mortgage availability and loan to value ratios, indicate an improving trading environment for our land business.

Investment property yields and values have continued to remain relatively stable across our portfolio. The like for like portfolio valuation was marginally down over the year, however, the initial valuation of the development gain on properties finished in the year at Warminster, York and Markham Vale resulted in a net overall valuation gain of £1.4m. At Markham Vale, we built and sold a 100,000 sq ft industrial unit, giving rise to the majority of the profit on disposal achieved in the year. During the year we began a mixed-use development of some 31,000 sq ft on Deansgate in Manchester which is progressing well and is anticipated to complete in 2013. The office element of this development is pre-sold and we have just one retail/restaurant unit remaining to pre-let. We commenced a 58,000 sq ft redevelopment in a joint arrangement with Calderdale and Huddersfield NHS Foundation Trust early in 2013 and have a number of other development opportunities approaching a start on site. We remain cautious in a market where the risk of retailer default is higher, secondary yields are weak, our economy is operating below full capacity and there is vacant space available in all categories. We therefore only commit to development when we have a high proportion of a site pre-let on terms that achieve development returns in excess of our hurdle rate. Our development activities more than achieved this in 2012. We expect to continue to see relatively weak growth and new lettings are, we believe, likely to be with tenants moving to better property in better locations. Therefore, it is probable that older, secondary properties in weaker locations will struggle to maintain their capital values and rental returns. We very carefully review valuation risk and continue to sell assets and recycle capital into newer developments to ensure we maintain the quality of our asset portfolio.

Coming into 2012, industry commentators were forecasting tough trading conditions within construction markets. Whilst this was true, our management pursued every available opportunity diligently and the result, which was slightly better than 2011, reflected that hard work. The value of our typical contract is relatively low and we are undertaking a growing proportion of refurbishment work. At the end of 2012 we had contracted over 70% (2011: 60%) of our budget workload for 2013, the best position achieved for some years. Our plant business performed in line with 2011 and, as confidence began to return to our customers and markets, we saw average weekly turnover increase 13% in the second half compared to the first. Road Link (A69) Limited continued to perform very satisfactorily in line with our concession plan and previous years. Traffic volumes continue to be stable and, despite some awful winter weather and flooding in the summer, we kept the road operational throughout 2012.

Financial results

Turnover reduced to £103.1m (2011: £114.6m) due to lower land sales, which in turn reduced trading profit to £12.3m (2011: £20.8m). However, the combination of development gains valued for the first time, along with realised profits on investment properties disposed of, amounted to £2.4m profit compared to a deficit of £4.3m in 2011. Net interest costs were broadly similar in both years, resulting in profit before tax of £13.9m (2011: £16.1m). Profit attributable to shareholders actually increased marginally because tax charges fell to £2.5m (2011: £5.3m). This change arose in part because of lower tax rates on current tax and because revaluation gains are not charged to tax until they are realised and, as they are not sufficient to absorb previously unrecognised deferred tax assets, the tax rate in the year is lower than the statutory rate. Earnings per share increased to 7.3p (2011: 6.9p). Total net assets reduced slightly to £181.9m (2011: £186.0m), as the increase in the IAS 19 pension deficit and dividends paid exceeded retained earnings. Net assets per share were 139p (2011: 142p), though we take comfort from our strategic land portfolio which, as inventories, is valued at the lower of cost or net realisable value and therefore has significant inherent value to the Group. As anticipated, debt levels rose to £21.9m (2011: £2.3m) as we invested over £19m in our land portfolio, successfully progressing more sites swiftly through the planning process.

Dividends

Subject to shareholder approval, the Board recommends a 12% increase in the final dividend to 2.90p (2011: 2.60p). This gives a total for the year of 4.70p (2011: 4.25p), an 11% increase. We remain committed to growing dividends to shareholders as results and market conditions allow.

Employees

It is through the dedication, skill and hard work of our employees that we achieve success within our businesses. On behalf of my fellow Directors, I thank all our employees for the results they have achieved and look forward to meeting future challenges and developing our businesses together with confidence.

Strategy

Henry Boot has operated successfully for over 125 years; we take a long-term view of opportunities in the land, property development and construction sectors. We look for parts of our business to generate recurring income and cash flows, whilst others, land and property development, offer higher potential returns but, being deal driven, returns inevitably fluctuate annually. The last two years have seen us reinvest more aggressively in these two cyclical parts of our business and, by the end of 2012, these commitments resulted in more planning successes on land and increasingly worthwhile development opportunities. Furthermore, we created a jointly owned house building business, operating in the north of England, that in 2013 will be operating from three small sites. Strategically we must now capitalise on these valuable assets, whilst at the same time growing the opportunity pipeline to ensure we continue the momentum in years to come. As you read the business review you will see the tangible delivery of this strategy and its ability to drive business growth into the future.

Outlook

We have made a strong start to 2013 across all our businesses. Plant and construction activity is ahead of 2012 and Road Link (A69) Limited is performing to plan. We have a number of profitable developments in progress, have already concluded two land sales and have a significant level of interaction with the planning process which, if successful, will result in a growing number of profitable disposal opportunities to a growing house building industry. The risks to the recovery highlighted above continue to be mortgage and debt availability within the property sector, further cutbacks in capital expenditure by Government and perpetual upheaval and policy changes within the planning system, which place ever-increasing demands on land values.

On balance, these risks have diminished over the year and we have geared up our balance sheet to take advantage of the nascent recovery, investing in the business opportunities that will generate growing shareholder returns into the future.

John Brown
Chairman
19 April 2013

Our Group portfolio

A diverse portfolio

It is its diversity, flexibility and strength of performance that have kept Henry Boot at the forefront of its markets. This is a selection of schemes undertaken recently.

Markham Vale

Henry Boot Developments Limited

Location M1 J29A, Derbyshire

Type Business and distribution park

Size 200 acres

In partnership with Derbyshire District Council, Markham Vale is a prime business and distribution park strategically located in the heart of the UK's motorway network, between Sheffield and Nottingham.

Nuneaton

Hallam Land Management Limited

Location Church Fields, Nuneaton, Warwickshire

Type Land promotion

Size Planning secured for 326 new homes

An optioned site of 35 acres with planning approval for 326 new homes with an affordable housing element of 25%. Also included with the development is a doctors' surgery, a district park and associated traffic improvements to the local area. This site will be marketed in 2013.

Platt Court

Henry Boot Construction Limited

Location Eastlands, Manchester

Type Refurbishment for Eastlands Homes Partnership

Size Tower block with 62 apartments

This project in East Manchester is part of a contract to externally refurbish three tower blocks. The works include new external windows and doors, balconies, insulated render and rainscreen cladding.

Road maintenance

Road Link (A69) Limited

Location Cumbria and Northumberland

Type Road operation and maintenance

Size 52 miles of trunk road from Carlisle to Newcastle

A 30 year contract with the Highways Agency to operate and maintain the A69, which is the major east west all-weather route in the north of England. Works include road resurfacing, bridge repairs, winter preparation and routine maintenance.

Pennine Property Partnership

Henry Boot Developments Limited

Location Huddersfield, West Yorkshire

Type New accommodation provision

Size First phase 56,000 sq ft of clinical and office accommodation and second phase 23 acres of mixed-use redevelopment

An innovative joint venture company set up in partnership with Calderdale and Huddersfield NHS Trust to realise maximum value of surplus property assets and provide new accommodation for the Trust.

University of Sheffield Medical School

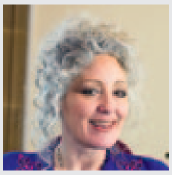
Henry Boot Construction Limited

Location Royal Hallamshire Hospital, Sheffield, South Yorkshire

Type Refurbishment

Size 2,626 sq ft

A project of refurbishment and remodelling of two floors of University of Sheffield Medical School, creating a state-of-the-art teaching facility. The 24 week design and build scheme included a new entrance and social hub, café area and enhancements to the library.



"I like the fact that the Company has embraced all the new technologies it needs to be successful whilst still retaining the old-fashioned values of yesteryear."

Melanie Sanderson is a Receptionist at Banner Cross Hall working for Henry Boot PLC and has worked for the Company for seven years.

Crigglestone

Stonebridge Projects Limited

Location Wakefield, West Yorkshire

Type Residential development

Size 19 new homes, all sold

High Acre, Crigglestone is a small cul-de-sac development of 19 quality homes built on the edge of open countryside. The development consists of three and four bedroom detached houses and three bedroom mews houses built on an area of land totalling 1.5 acres.

Kegworth

Hallam Land Management Limited

Location Ashby Road, Kegworth, Leicestershire

Type Land promotion

Size Planning for 110 new homes

A wholly owned site of 27 acres which now possesses planning approval for 110 new homes, together with ancillary works including the formation of a new vehicular access to Ashby Road and extensive green space forming part of the scheme.

Warminster

Henry Boot Developments Limited

Location Warminster, Wiltshire

Type Mixed-use scheme

Size 1.75 acre site

Planning consent was secured for 28,000 sq ft of retail/restaurant use. A 23,000 sq ft Waitrose supermarket opened in March 2012 and three further smaller units (restaurant/café use) are being marketed. The scheme also embraced the relocation of glove maker Dents.

Stratford-upon-Avon

Hallam Land Management Limited

Location Hogarth Road, Stratford-upon-Avon, Warwickshire

Type Land promotion

Size Planning for 200 new homes

Proposals for this site are for 800 new homes of which our share is 200 properties. The scheme includes a mixed-use local centre, a new primary school, open space and green infrastructure, as well as construction of a relief road linking two principal roads out of the town centre.

Scunthorpe

Tropo – a division of Henry Boot Construction Limited

Location Crosby, Scunthorpe, Lincolnshire

Type Solar photovoltaic panels scheme

Size 274 homes

Two contracts for 274 North Lincolnshire Homes' properties have been completed by our Renewables Division. The residents are now benefiting from a renewable energy project which produces affordable electricity from installed solar PV panels on the roofs of their homes.

Plant Hire

Banner Plant Limited

Location Chesterfield, Dronfield, Derby, Leeds, Rotherham and Wakefield

Type Plant, temporary accommodation, power tools, powered access, big air compressors and serviced toilets

Size Over 2,800 products

The range of products has constantly evolved to meet customer needs and to fulfil the requirements of modern health and safety legislation. The primary supply area stretches from Yorkshire to the East Midlands.

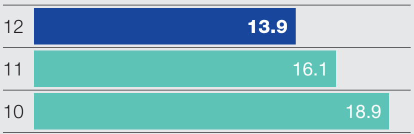
Key performance indicators (KPIs)

The key performance indicators used by the Board are as follows:

Each business unit within the Group is required to establish targets at the beginning of each financial year against a broad range of financial and non-financial indicators. The Managing Director of each subsidiary reports on progress at Board meetings every two months. The two main Board Executive Directors attend these meetings and are able to assess whether each unit is performing in accordance with its plan throughout the year. The KPIs differ in each subsidiary with the exception of financial targets which focus on profitability growth, cash generation and levels of debt, forecast cash requirements, return on capital employed, shareholder return and asset value created. We also review health and safety matters and how economic conditions and changes in legislation may affect individual business units. The Board has decided that the following KPIs, which are included within the papers for each Board meeting, are indicators measuring our success towards achieving long-term, sustainable growth for all stakeholders in our business.

Profit before tax (£m)

£13.9m



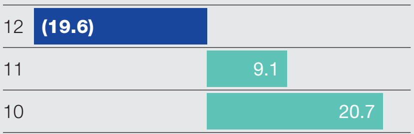
Objective To increase profit levels over time

Performance 14% decrease

Comments Lower land sales resulted in lower profits in 2012. 2013 looks more positive as we anticipate a recovery in land sales

Cash generation (£m)

(£19.6m)



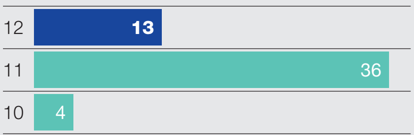
Objective To maximise cash generated over time

Performance Cash outflow £19.6m

Comments Higher debt as we begin to reinvest in the portfolio of land and development assets

Shareholder return (%)

13%



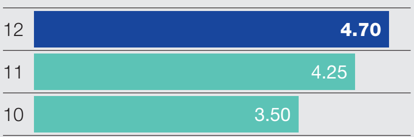
Objective To generate growing shareholder returns over time

Performance 2011 was a return level we are unlikely to exceed in all years. 2012 return was achieved based on the share price at 31 December 2012 of £1.35

Comments Re-rating in share price in the year was the reason for growth. Market continues to re-evaluate the strength of the house building sector and we followed positive trends in UK housing equities

Dividends (p)

4.70p



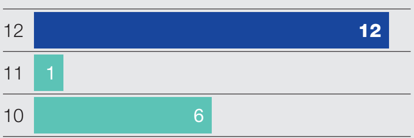
Objective To generate growing dividends over time

Performance Profit, cash flow and pipeline of opportunities give confidence to increase the dividend back towards pre-recession levels of 5.00p

Comments 11% increase as we move towards our short-term target of 5.00p

Gearing levels (%)

12%



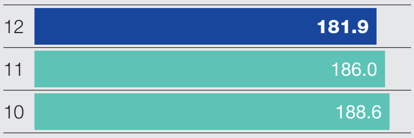
Objective To monitor levels of cash required over time

Performance 11 percentage points change

Comments This prudent gearing level still gives us flexibility to reinvest in land sites and development

Net assets (£m)

£181.9m



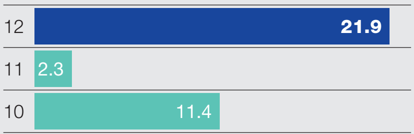
Objective To grow the asset base over time

Performance 2.2% decrease

Comments Slightly reduced due to dividends paid and rise in pension deficit which was affected by the reduction in bond yields

Debt levels (£m)

£21.9m



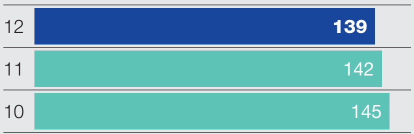
Objective To monitor levels of debt over time

Performance Cash reinvested

Comments Prudent debt levels allow for reinvestment as markets improve or opportunities arise

NAV per share (p)

139p



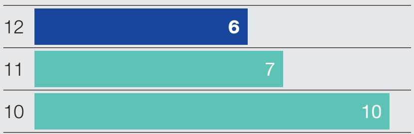
Objective To increase shareholder value over time

Performance 2.1% decrease

Comments Increase in shares in issue resulting from SAYE scheme and increased pension deficit

Return on capital employed (%)

6%



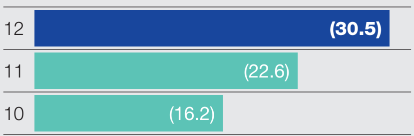
Objective To increase returns on capital employed over time

Performance Return lower but sufficient to pay tax and dividends and contribute towards the pension scheme

Comments Whilst lower than 2011 return level is still acceptable for property sector. 2013 targets a higher level of return as land sales increase

Pension scheme deficit (£m)

(£30.5m)



Objective To reduce the pension scheme deficit over time

Performance After attributable deferred tax the deficit represents circa 13% of net assets, a level we are comfortable with. We aim to manage the position to keep a low level of deficit rather than get the scheme in surplus

Comments Bank of England quantitative easing reduced bond yields and affected the discount rate. Impact on the pension scheme was in excess of £10m. Yet again, our assets performed well during the year, returning almost 8%

In addition to this, we review a range of specific indicators within each business unit. The main ones are as follows:

Land

The size of the strategic land bank, the split between owned and optioned land, the extent to which we have full or outline planning consent and the number of residential units or commercial space contained in those consents.

Developments

The expected investment in developments, expected completed values and anticipated yields, rents and rental growth, levels of tenant demand and unlet space, new commercial property investment and development opportunities and potential asset sales.

Construction

Workload forecasts and capacity utilisation in relation to plan, general activity levels, tender opportunities, contract costing workload and wins, health and safety and environmental matters and contract completion, sign off and financial closure.

Plant hire

Activity levels by depot and class of asset, health and safety matters, levels of cash generated and returns on plant asset capital employed, which in turn drive asset investment decisions.

Group

At Group level the business units' financial performance against expectations forms an integral part of the reporting criteria. In addition Group performance indicators of cash and facilities, pension scheme performance, shareholder return and return on capital employed along with health and safety matters are reported on at each meeting.

Operational review

Our long-term strategic aim – to create shareholder value through land and property development and construction – continues apace.

Jamie Boot
Group Managing Director

John Sutcliffe
Group Finance Director

In summary

- Trading conditions in 2012 followed the trend of the last five years and can still be described as challenging.
- Property markets remained stable throughout 2012, albeit at values substantially below their peak. We achieved considerable success in reducing voids in existing investments.
- The work we have undertaken to build value into our land holdings has not been reflected in the 2012 pure financial results, but we have worked on an unprecedented number of sites within the planning process and were particularly successful in securing permission on a large number of sites.
- The construction and plant businesses performed well through 2012 and have stronger order books going into 2013 than at this time last year.

Our long-term strategic aim – to create shareholder value through land and property development and construction – continues apace. Trading conditions in 2012 followed the trend of the last five years and can still be described as challenging. Global financial concerns really affected activity in the early part of the year and, whilst these issues are not fully resolved, their departure from the media front pages raised confidence levels through the second half of the year, improving trading conditions through to the end of the year. This more encouraging trend seems to have carried over into early 2013 and our management teams are more optimistic than at this stage last year.

This optimism must, however, be taken in context because many underlying issues that have made the last five years so arduous still remain and are only slowly improving. The UK banking sector is smaller, there is less leverage available and it is more costly. The economy is flat; retailers in particular are having a tough time. Where new accommodation is required, typically this results from consolidation and efficiency drives rather than expansion, which in turn puts rental and valuation pressure on older, less well situated property. One brighter horizon is the residential market where the major house builders are slowly growing the number of units produced and replenishing land banks. The mortgage market is slowly improving and Government initiatives to help buyers join the property ladder are aiding that recovery. Planning continues to be a long, convoluted and a very expensive process but it was ever thus. Over the life of the current Government the system has changed significantly and provides an opportunity to bring forward high quality sustainable sites where the supply of permissions in existence falls below a five year supply. We have many such sites and, where applicable, are bringing them forward as quickly as we can. This process adds to the working capital requirement and, when this is included with the house builders' desire to pay for land with permission on deferred terms, we anticipate increasing debt levels throughout 2013.

As with land, we expect to see more property development in 2013. We are on site with two commercial developments, and together with our small house building venture that was formed two years ago, we anticipate completing over £20m of development activity during 2013. We continue to find that as we are able to bring financial capability and a desire to drive schemes forward, we are able to source better quality, more profitable opportunities, which will serve us well in the future.

The construction and plant businesses performed well throughout 2012 and have stronger order books going into 2013 than at this time last year. Markets are still challenging, contracts continue to be won on very tight margins and competition is fierce. We have therefore achieved these results through the provision of a quality product at a competitive price, choosing the right work to go for and win. Maintenance and refurbishment contracts are still the 'bread and butter' of what we do, though we are seeing a little more opportunity in the private sector coming to the market. Road Link (A69) Limited continues to underpin the profits and cash flows of this segment with 13 years left on this franchise arrangement.

The recovery from the immediate aftermath of the 2007 financial crisis and subsequent recession has been pretty flat. However, for the first time since then, the confidence levels in our business, coupled with tangible successes in land planning, developments, construction and plant hire, indicate that mid 2012 may have been something of a turning point. We have now had some eight months, since June 2012, of encouraging trading and we are therefore looking forward to the challenges of 2013 and beyond optimistically.

Henry Boot DEVELOPMENTS

Property investment and development

Property

Property markets remained relatively stable throughout 2012, albeit at values substantially below their peak. Whilst occupier demand across all sectors remained subdued we achieved considerable success in reducing voids in existing investments with completed lettings at York, where 18,000 sq ft of retail warehousing was taken, and at Bromley, Kent, where 9,000 sq ft of refurbished office space was let. In addition, following significant year on year increases in visitor footfall at Stop 24, our multi-occupancy motorway service area on the M20 in Kent, we saw letting progress with Subway opening a unit; detailed planning permission has also been secured for a significant extension to the existing lorry park operation, which has traded at capacity since opening. These, together with a number of smaller lettings, made a material contribution to the increase in net rental income during the year.

Investments

Any improvement in property investment values during the year was only experienced by prime investment properties let on longer leases to financially strong tenants. This describes the majority of the Company's investment portfolio and, as a result, valuations were largely stable throughout the year with the principal increases arising on properties valued for the first time on completion of their development. The external valuation of the investment properties undertaken by Jones Lang LaSalle Limited resulted in a valuation of £102.6m. Of this figure, the value of Group occupied property was £6.8m and the developments concluded in the year were valued at £12.6m. Investment value gains were experienced on prime industrial, retail warehouse investments let to the strongest tenants, such as B&Q, and the supermarket investment let on a long-term lease to Waitrose which experienced yield compression in the year, evidence of strong demand for this type of investment. The softening of investment values for our secondary properties was partially offset by new lettings within these schemes. The overall result saw the value of our investment portfolio remain stable but, after an increase in investment income, the average yield increased marginally during the year.

Above A computer generated image of our proposed town centre regeneration project at Daventry

Operational review continued

Investments continued

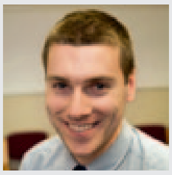
The investment portfolio is primarily composed of retail and office investments which make up 45% and 38% respectively of the rental income generated. However, it is anticipated that the proportion of rent from leisure and, potentially, industrial investments will increase as development projects, notably hotel and city centre restaurant schemes, complete and industrial developments take place at some of our existing business park locations.

We are not expecting to make any significant changes to the retained property investment portfolio in 2013, although we are in negotiations with a number of existing tenants in respect of significant rent reviews and asset management opportunities which, if successfully concluded, should give rise to improvements in the quality and value of those properties.

Developments in progress

Development activity increased year-on-year with the completion of a supermarket development pre-let to Waitrose at Warminster on programme and budget, providing a very satisfactory return. The letting of two small retail units adjoining the Waitrose store are now well advanced and should be completed in the first half of 2013. At Markham Vale, our 200 acre business park development on Junction 29A of the M1, three significant

Above This year our Stop 24 motorway service area on the M20 in Kent has seen increased visitor footfall and a new letting to Subway Restaurants



"The people that I work with are friendly and helpful and full of knowledge and information and are excellent mentors."

Tim Burn is Assistant Project Manager for Henry Boot Developments Limited and has worked for the Company for seven months.

developments were completed in the year: a 40,000 sq ft design and build warehouse with offices for Squadron Medical, a pre-let McDonald's drive-thru restaurant completed in September and a new 100,000 sq ft national distribution centre, pre-let to automotive parts distributor Andrew Page Limited. This development commenced on site in February 2012 with the fully fitted unit being completed and occupied in September 2012. We decided to sell this property on completion and the deal to do so was finalised in December 2012 at a competitive valuation reflecting the improved demand for well let, well located industrial investments.

During the year we made substantial progress on the mixed-use office and leisure redevelopment of the former County Courthouse, Deansgate, in Manchester city centre by securing planning and listed building consents and exchanging contracts for the sale of the entire office element of the development and pre-letting two of the three restaurant units. Construction work commenced in the middle of 2012 and remains on target to be finished in the second half of 2013. Following its completion, we anticipate retaining the restaurant investment which, along with the assets retained in 2012, will contribute to a further increase in our rent roll.

We reported last year that we entered into the Pennine Property Partnership LLP with Calderdale and Huddersfield NHS Foundation Trust. This innovative joint venture aims to identify and release the development value of surplus Trust property assets and provide a vehicle for the delivery of new accommodation for the Trust's use. The LLP's first development project comprises the conversion of a derelict 56,000 sq ft former wire mill to be used by the Trust as clinical and office space. Detailed planning and listed building consents were finally secured in the second half of 2012 and the Trust exchanged an agreement to lease with the partnership based on a 25 year lease term, enabling building contracts to be let for a start on site early in 2013. The partnership is also actively promoting a mixed-use development on a separate 23 acre former hospital site in Huddersfield, which is surplus to the Trust's needs.

The purchase of a 56 acre site on the edge of Skipton, North Yorkshire, was completed in the first half of 2012 and subject-to-planning contracts were exchanged with a major retailer. The site will be developed as a 40 acre mixed-use scheme incorporating a significant employment use as well as ancillary facilities. The planning application is expected to be submitted by the middle of 2013, following extensive pre-planning consultation work, and we are hopeful that permission will be granted by the end of 2013.

An agreement with Lloyds Bank was exchanged in the second half of 2012 for the development of a prominent six acre site on the edge of Chesterfield town centre with negotiations immediately progressing with a range of prospective occupiers. Contracts were also exchanged to acquire an interest in an existing open A1 retail development on the edge of Belper town centre which has considerable potential for an enlarged food and non-food retail development. Once again, detailed negotiations have commenced with a number of potential occupiers.

Future development opportunities

We expect to see a significant increase in the number of developments commencing work on site during 2013. In addition to the sites in Deansgate, Manchester, and Huddersfield, planning consents are expected to be granted later in the year for both our budget hotel developments, one on appeal at Richmond upon Thames and the other by the local planning authority at Malvern. Provided we are successful, these consents will enable the construction of both pre-let hotels to commence in late 2013 and be completed during 2014.

At Thorne, Doncaster, the 23 acre joint venture scheme with the Royal Bank of Scotland, we secured planning permission for a substantial mixed-use development including a 45,000 sq ft supermarket together with supporting mixed uses. We have now exchanged contracts with Tesco for the sale of the foodstore site and detailed negotiations are progressing with a range of other operators to take adjoining space. It is anticipated that infrastructure development works will begin in the second half of 2013.

At sites where we have been bringing forward development for some time now, we are finally achieving results in the following cases:

- the town centre and large foodstore development in Daventry took a significant step forward at the end of 2012, with the submission of planning applications for both schemes following extensive public consultation and negotiations with the planning authority;
- at our Beeston, Nottingham town centre, redevelopment scheme, detailed planning permission is expected by the middle of 2013 for the part demolition and reconstruction of the existing retail scheme; this will enable construction work to commence on site in the second half of 2013 following exchange of pre-let agreements with a number of retailers, with completion expected in 2014. Part of the original investment is the subject of a Compulsory Purchase Order to accommodate the Nottingham tram extension and we expect to see the finalisation of the compensation negotiations later this year;
- at Markham Vale, we hope to finalise terms for a large warehouse development for an owner occupier and are in detailed negotiations with a number of other parties for a range of commercial developments on this site. It is expected that, given the early progress with such schemes, we could be on site in the second half of 2013.

Negotiations are progressing to acquire a number of other development schemes and it is reasonable to expect that some of these will be taken into our portfolio during 2013, providing development opportunities into the future. During the last few years, significant investment has been made bringing sites through the planning process. This can be a very long and drawn out process, particularly when trying to achieve our hurdle rate of return and high levels of pre-let, however, this hard work is beginning to pay off and we are now seeing more potential development activity for 2013 and beyond. We aim to capitalise on this and begin to release capital from non-income producing sites we hold in the portfolio.

Operational review continued

Hallam Land Management

Land development

Hallam Land has capitalised on the new planning system, securing permissions or minded to grant resolutions on over 3,542 plots on 14 sites in the year.

Total interests held at December 2012

9,011 acres

Inventory value of assets

£75.9m

Percentage of land bank with planning consent or a local plan allocation

21%

Opposite A minded to grant planning permission has been approved at Blaby, Leicester for 4,250 houses; our share of a consortium planning promotion agreement being 1,593 properties

Land development

Hallam Land Management Limited, our strategic land business, had another successful year, despite a quiet year selling land with consent. Site disposals with planning permission were restricted to small sites at Mansfield, Desford and Bishopbriggs. Profit before tax in the land segment was lower than achieved in 2011 which included the profit on sale of a major 700 unit site at Buckingham. Turnover for the year was £8.8m (2011: £30.1m) and the segment profit before tax was £2.0m (2011: £11.1m).

The work we have undertaken to build value into our land holdings has not been reflected in the 2012 pure financial results. During the year, we worked on an unprecedented number of sites within the planning process and were particularly successful in securing planning permissions or minded to grant planning permissions on a large number of sites and further increased our site acreage. At December 2012, we held interests in 9,011 acres in total (2011: 8,051 acres) with 1,765 acres being owned (2011: 1,432 acres), 3,466 acres under option (2011: 3,986 acres) and 3,780 acres under planning promotion agreements (2011: 2,633 acres). The inventory value of these assets was £75.9m (2011: £58.8m) across 125 sites within the portfolio. At the end of 2012, we were in detailed discussions and close to acquiring interests in a further six sites with a number of others identified for acquisition as we move through 2013.

The Government's planning reforms, including the enactment of the Decentralisation and Localism Bill, together with the introduction of the National Planning Policy Framework, have undoubtedly made an impact on the planning system. These changes have created a clear opportunity to secure planning permissions on sustainable sites in locations which do not have an appropriate land supply. Hallam Land has capitalised on the new system, securing planning permissions (or minded to grant resolutions) on over 3,542 plots on 14 sites in the year. These add to long-term sites we hold with planning permission and therefore the Company now has a substantial portfolio of consented sites from which we can make disposals over the forthcoming years.

Jonathan Collins

Senior Land Buyer

Jonathan Collins is Senior Land Buyer in Hallam Land Management Limited and has worked for the Company for eight years.

"I joined Hallam Land Management in 2005 following my graduation from university. I wrote in speculatively about any vacancies and it was fortunate that Hallam was considering recruiting at that time. I was initially appointed as an Assistant Land Buyer.

I enjoy my role working for Hallam due to the variety of projects I am involved with and the varied nature of each day, which can lead me to dealing with agents, solicitors and an array of consultants.

I am now a Senior Land Buyer and have responsibility for managing my own sites that are at various stages of the planning process as well as being tasked with identifying new sites in my specified area of the country."

Operational review continued

We have secured planning permission or minded to grant planning permission subject to the signing of a planning agreement on the following sites during 2012 and post year end:

Site	Status	No. of residential units*
Banbury	Option/Planning Promotion Agreement	250
Blaby, Leicester	Planning Promotion Agreement/Option	1,593
Bradford	Option	292
Cam, Nr Stroud	Owned	71
Cleek Hall, Selby	Option	Wind farm
Desborough	Planning Promotion Agreement	165
Evesham	Option	59
Highbridge	Option	450
Kegworth	Owned	110
Long Buckby	Planning Promotion Agreement	132
Peterborough	Owned/Option	25
Retford	Owned	8
Rolleston-on-Dove	Owned	23
Rugby	Option	183
Torrance	Owned	9
Winsford	Option	180

In addition, on the following sites we have already achieved a permission and are still working towards a sale:

Site	Status	No. of residential units*
Bolsover	Owned	250
Bridgwater	Owned	420
Cranbrook, Exeter	Owned	345
Kettering	Owned	350
Kilmarnock	Owned	500
Mansfield Penniment Farm	Owned	215
Mansfield Rushpool Farm	Owned	75
Nuneaton	Planning Promotion Agreement	326
Stratford-upon-Avon	Option	200
Tillicoultry	Owned	74

We have also made applications, which at this stage remain undetermined, at the following sites:

Site	Status	No. of residential units*
Bedford	Owned	495
Blackburn, Scotland	Option	120
Burton upon Trent	Planning Promotion Agreement	950
Chatteris	Planning Promotion Agreement	1,000
Chellaston, Derby	Owned	54
East Leake	Planning Promotion Agreement	170
Haddington	Option	113
Handcross	Planning Promotion Agreement	90
Irthlingborough	Planning Promotion Agreement	700
Market Harborough	Owned	500
Marston Moretaine	Owned	125
Monmouth	Option	145
Oulton, Leeds	Owned	40
Ripley	Owned	180
Rothwell, Leeds	Owned	40
Southbourne	Planning Promotion Agreement	130

Finally, the following sites are at appeal:

Site	Status	No. of residential units*
Abingdon	Planning Promotion Agreement	120
Aylesbury	Planning Promotion Agreement	120
Dunbar	Option	100

* On sites where we are working in conjunction with other developers, only the Hallam Land share is noted.

Land development continued

Of particular note is a site at Blaby, Leicester, where a minded to grant resolution has been approved by the council for a 4,250 house development together with a 50 acre business park, a district centre, two local centres, a secondary school and two primary schools. This will be the largest single permission that Hallam Land has achieved and is a consortium planning promotion agreement of which our share is 37.5%. We are now in a position to begin the Section 106 negotiations.

The planning permissions we achieved were a mixture of success at local level and at national level. We have been successful in seven out of our last nine appeals, including two appeal wins already in 2013, and we anticipate that an increasing number of sites will need to go into the appeal process to obtain permission, as local members reject officer recommendations. We believe that this trend will continue on the large number of sites we have in the process during 2013 and we will report on their progress throughout the year.

The strategic land market remains patchy and difficult in some parts of the country. The south, and particularly the south east, is strong but demand and values generally weaken as one moves north. That said, throughout the country good quality, well located sites still sell very well and generate good returns. As a consequence, sales values will be lower on some of our northern sites but our nationwide coverage is such that our land sales will enable us to make a consistent overall return.

We have also sought to replenish our land stocks during the year and have increased our total landholdings with the addition of twelve new sites totalling 960 acres. Of these sites, planning applications have already been submitted on five (180 plots at Ripley, Derbyshire; 110 plots at Haddington, East Lothian; 90 plots at Handcross, Sussex; 170 plots at East Leake, Staffordshire; and 120 plots at Abingdon, Oxfordshire) and a further three (Buxton, Faversham and Wymondham) are likely to be submitted during 2013.

Despite the real and beneficial improvements that the Government has made to speed up the planning system, there remain some troubling aspects to the process. The desire of local authorities to share in the enhanced value of land is well understood and supported in principle. However, the proportion of this value being demanded through Section 106 agreements makes certain permissions unviable, fails to recognise that land values are not what they were several years ago and defeats the Government's objective of creating more construction work and homes. This is particularly true in many lower value areas where, arguably, the need for housing and development is even more acute. Viability studies are, in many cases, making this problem even worse by increasing local authority aspirations and creating unworkable planning permissions. The introduction of Community Infrastructure Levy (CIL) is a further tax on development land which exacerbates these issues. At a time when Section 106 and affordable housing contributions are being reduced to reflect the economic realities of today's house building costs, CIL is being used to recapture this lost value. There is only so much tax that the profits from the house building cycle can support and we fear that in many cases the current level is stopping potentially good housing sites coming forward.

A further issue is that certain local authorities have still not accepted the Government's desire for more land to be released where housing supply is very tight. Having faced long delays in securing minded to grant consents, we then find that there is further lengthy battle to settle the Section 106 agreement and other contributions; this bureaucratic delay serves to slow up and/or restrict housing delivery. Although the major UK house builders are continuing their recovery, the total number of houses that the nation is producing remains well below 2006 levels. Although there has been some improvement in the mortgage market recently, there seems to be no lasting solution to the fundamental issue, being the availability of high loan to value mortgages at competitive rates, which is holding back the delivery of more units.

The recent budget has brought forward measures to support house buyers in this very area and may make a significant contribution to addressing these concerns.

Top 5 acres of land at Bishopbriggs was sold to a regional developer for a scheme of 49 houses

Middle A planning application has been approved for 23 houses on our wholly owned site at Rolleston-on-Dove in Staffordshire

Bottom A planning application is being considered by Amber Valley Borough Council for 360 new homes at Ripley in Derbyshire; our share of a joint venture being 180 properties

Case study: Cranbrook, Exeter

‘A new and vibrant market town’ (East Devon District Council)

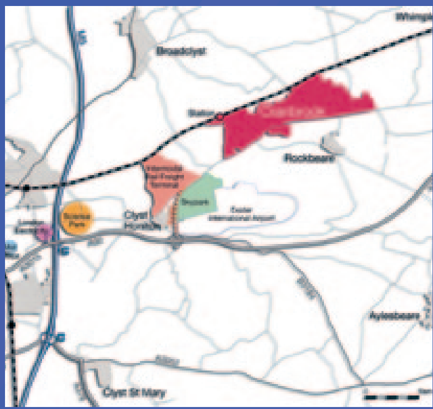
In summary

- Initial Consent: 2,900 homes, town centre and neighbourhood centres, 17,000 sq metre of employment, 6,700 sq metre of retail, education, country park and strategic infrastructure
- Planning Application Granted – October 2010
- Detailed Approvals – April 2011
- Commencement of Development – July 2011

Hallam secured its interest in the site of the Cranbrook New Town in 1999, a couple of years after Devon County Council had first started promoting the concept of a new town 'somewhere' to the east of the city of Exeter. The first five years or so of promotion were fraught with difficulty, with 20,000 objections being lodged against the concept at one stage. However, in 2005 the tide started to turn and Devon County Council and East Devon District Council gradually warmed to the idea. 2008 would have seen the launch of the project if it had not been for the prevailing financial circumstances of the time and between 2008 and July 2011, when development commenced, Hallam worked to secure public funding streams to ensure the project was given the appropriate launch.

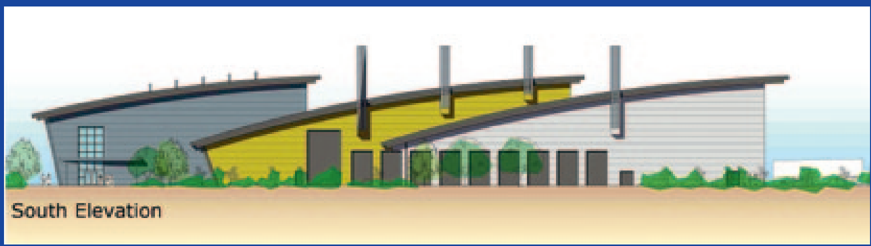
Being a new community, remote from the city of Exeter, it was always considered important that Cranbrook should be 'launched' with community infrastructure (schools, community buildings, public open space and a bypass) being provided either before or as first residents moved in. The South West Regional Development Agency agreed to loan £12m to the community for early infrastructure provision, provided that a combined heat and power (CHP) plant was also developed. The CHP plant would heat and pump hot water around the new community replacing individual house boilers with heat exchangers, providing a central heat source for the whole town. Central Government provided further monies to pump-prime the CHP and also a grant towards a 1km bypass (the Clyst Honiton Bypass, located at the western end of the Exeter Airport runway) linking the new community with the A30 dual carriageway. Development commenced in July 2011 with the first nine months seeing feverish activity with the installation of CHP heating mains; 1.5 km of roads and sewers; the construction of a 420 place primary school; a community hall and associated offices; and commencement of the Clyst Honiton Bypass. In spring 2012 house building started in earnest with first sales and occupations in early summer. By the turn of the year 75 houses were occupied (all with hot water and heat!); foundations had been laid for a further 300 properties; the St Martin's Primary School was open with 80 pupils; the community building was complete; and the Clyst Honiton Bypass was well under way.

It does not look as though 2013 will see a slower pace for Cranbrook: the Government has awarded the community a further loan towards the construction of the Cranbrook Secondary School (to be opened by September 2015) and work is shortly to commence on the railway station (on the Exeter–Waterloo line).



Combined heat and power

- Partnership with Eon plc
- Heat and power provided from renewable energy
- Serving Cranbrook and Skypark
- £4m from HCA Low Carbon Fund



The whole of the Cranbrook new community will be served by a combined heat and power (CHP) district heating system. The energy centre powering the system has been constructed and is currently providing heat and power to the first phase dwellings completed in 2012. The energy centre will produce up to 17 megawatts of energy that will supply all the energy requirements of Cranbrook and the business and general industrial development at the adjacent Skypark.

Operational review continued

Construction

We are confident that our profit and turnover levels will be maintained throughout 2013.

Construction

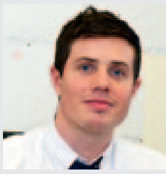
Whilst the marketplace remained very competitive during 2012, Henry Boot Construction Limited maintained its targeted activity and profit margins. We are also confident that our profit and turnover levels will be maintained throughout 2013 after carrying a larger order book into this year than when we entered 2012.

Our continued policy of obtaining a good balance of work across a wide range of construction sectors, coupled with our reputation for the delivery of high quality projects, has enabled us to maintain our activity and margin levels in the public sector with partnering and framework agreements in the social housing, health, education and custodial sectors. At the same time, the slight improvement in the private sector has seen us increasing our involvement there with contracts in the retail, industrial, commercial and leisure sectors.

We have maintained and established new partnering agreements both in the public and private sectors and retained a very strong presence in Decent Homes and external wall insulation works. We are continuing to work on long-term, major frameworks for St Leger Homes, Doncaster, North Lincolnshire Homes, Eastlands Homes, Manchester, and Southway Housing Trust, Manchester, and new awards from Wakefield District Housing, EN Procure, Fusion 21, Hull City Council and Yorkshire Housing.

During 2012, we were awarded a further new framework for the Ministry of Justice Strategic Alliance Agreement. This follows on from the successful completion of the existing Ministry of Justice refurbishment framework and will provide new build and refurbishment opportunities for HM Prison Service, HM Court and Tribunals Service, the National Probation Service and Forensic Science Service in the north of England, over the next six years.

Left A 26 week extension works project completed on 62 properties for Southway Housing Trust at Chorlton in Manchester



"The training that is provided to me by Henry Boot is essential and the career path I can see for myself is what keeps me motivated."

Jack Duncan is Assistant Site Manager for Henry Boot Construction Limited and has worked for the Company for five years.

The level of work available from the industrial sector has shown signs of growth in recent months and we have secured a major design and build contract with Bifrangi, based in Lincoln, to provide a state-of-the-art Screw Press House. During the year, we also completed works for Tata Steel and London Scandinavian Metallurgical, both in Sheffield.

The education and commercial sectors have continued to provide a steady stream of work with contracts carried out for Calderdale MBC, North Lincolnshire Council, University of Sheffield, Henry Boot Developments Limited, Hammersons Plc, Wickes and Maplin Electricals, together with a managed workspace development in Sheffield for the Manor Development Company. We have also completed works, in conjunction with the Football Association, to provide changing facilities and sports pavilions for Barwell District Council and recently commenced a second scheme for Codnor Sports Charitable Trust.

In the health sector, we continue to undertake schemes for the Sheffield Teaching Hospitals at both the Northern General and Royal Hallamshire Hospitals under a long-term strategic framework. We also completed a major healthcare facility for the joint venture between Rotherham MBC and Rotherham Primary Care Trust.

Civil engineering opportunities have steadily grown from our targeted expansion of the client base. This has included works to a new Lytag Process Plant at Drax Power Station for Fairport Engineering Limited and drainage works for Derbyshire County Council on the Markham Colliery Reclamation Scheme. The YORcivils Framework is also generating good opportunities with works being carried out for East Yorkshire County Council.

We were very pleased with our inclusion as a supply chain partner on the 25 year Amey PFI Sheffield Highways scheme. The first schemes have been successfully completed and further works awarded. We anticipate this project will provide some excellent opportunities for growth in coming years. In association with this, we have also been awarded the civil engineering works for a new rail unloading and asphalt production plant for Aggregate Industries UK Limited.

We have also maintained our presence in the renewable sector, delivering ground source heat pump schemes for Yorkshire Housing and Berneslai Homes and photovoltaic projects for North Lincolnshire Council, North Lincolnshire Homes, Hammersons Plc, The Adsetts Partnership, and Eastlands Homes, Manchester. In November 2012, we launched our new Sustainable Business Strategy 2012–2015. This initiative is designed to align our sustainable credentials with the requirements of public sector procurement and in turn help us be more efficient, competitive and attractive to customers, business partners and employees alike.

Road Link (A69)

The 30 year PFI Contract to maintain the A69 trunk road has now been in operation for 17 years and continues to perform well. In the last year it has been prolonged wet weather rather than the usual cold winter weather that has provided the real challenge to the maintenance teams. However, their expertise, together with the effective drainage maintenance programmes, ensured the A69 remained open throughout the year with minimum disruption to traffic.

In 2012 traffic volumes using the A69 remained static and the price adjustment indices are likely to be very slightly lower than expected. However, planned and proactive maintenance of the A69 road and bridges, including the use of innovative maintenance techniques, continues to provide savings against the original long-term maintenance cost plan. The financial forecasts for next year and to the end of the contract in 2026 remain favourable and we are confident that expected levels of profitability will continue.

Plant hire

Banner Plant Limited, our plant and accommodation hire business, experienced the proverbial year of two halves. Up to the end of June 2012, the continued uncertainty surrounding the Euro and the plethora of bank holidays, including the additional Jubilee break, held demand in check, resulting in a reduction in turnover of 5.6% compared to the corresponding period in 2011.

During the second half of 2012, as concerns surrounding the global financial system subsided, a degree of customer confidence returned and this resulted in an average weekly turnover increase of 13.3% over the first half. This improvement in activity, combined with slightly less margin pressure, resulted in the recovery of the first half shortfall and we completed the year with a respectable result, slightly ahead of 2011.

Looking to the future, planned investment in fleet items continued at a rate marginally above 12% of original cost per annum. This conveyor belt of renewals ensures we continue with our goals of maintaining the quality of the fleet, its age profile and the earnings potential of the plant assets. We have committed to further investment in access plant which is used in industry for health and safety reasons as well as within the construction sector. Borrowings within the plant unit ended the year in line with our internal budget and equate to about 12% of the gross cost of the plant in use. In the current business climate we continue to operate cautiously but remain ready to develop and grow when we see definitive signs of a recovery in construction activity. 2013 has started positively, continuing the trend seen in the second half of 2012, and we are optimistic regarding prospects for the year.

Above A Manitou 14m Telescopic Handler showing its paces; part of our evolving Banner Plant fleet

Financial review

We have now had some eight months, since June 2012, of encouraging trading and we are therefore looking forward to the challenges of 2013 and beyond optimistically.

In summary

- These results show the benefits of a broadly based operating model which can benefit from opportunities in strategic land and commercial development to augment the relatively stable returns from the construction division
- Continued investment in our strategic land holdings and to a lesser extent the development and investment property portfolio. Therefore, total net debt rose to £21.9m (2011: £2.3m)
- Basic earnings per share amounted to 7.3p (2011: 6.9p). The total dividend payable for the year has been increased by 10.6% to 4.70p (2011: 4.25p)

Consolidated statement of comprehensive income

Turnover reduced to £103.1m (2011: £114.6m) primarily due to lower land sales. The comparatively quiet year in land sales gave rise to a reduction in trading profit to £12.3m (2011: £20.8m), however net revaluation gains of £1.4m (2011: deficit £4.3m), profit on sale of investment properties of £1.0m (2011: £Nil) and loss on sale of assets held for sale of £Nil (2011: profit £0.4m) resulted in operating profit of £14.7m (2011: £16.9m). The revaluation gain and the profit on sale largely result from property development that completed in the year and was either retained and valued externally for the first time or sold on completion. Administrative costs were almost the same at £13.3m compared with £13.4m in 2011.

The segmental result analysis shows that land development produced a significantly reduced operating profit of £2.3m (2011: £11.0m) and property investment and development activities showed a significant improvement in operating profit to £7.4m (2011: £0.3m), the improvement arising from the initial revaluation of developments, higher rental income and improved disposal profits. Construction division operating profits also improved to £7.9m (2011: £7.3m) after a 10% improvement in activity was achieved despite the difficult trading conditions. These results show the benefits of a broadly based operating model which can benefit from opportunities in strategic land and commercial development to augment the relatively stable returns from the construction division.

Basic earnings per share amounted to 7.3p (2011: 6.9p). The total dividend payable for the year has been increased by 10.6% to 4.70p (2011: 4.25p), with the final proposed dividend also increasing by 11.5% to 2.90p (2011: 2.60p), payable on 31 May 2013 to shareholders on the register as at 3 May 2013. The date the shares become ex-dividend is 1 May 2013.

Financing and gearing

Although debt was reintroduced and further investment was made in the strategic land portfolio, net finance costs remained stable at £0.8m (2011: £0.8m). Average borrowing costs were lower than the previous year and the cost of any increase in borrowing is offset by the equivalent reduction in the non-utilisation fee. Most of the finance costs incurred in both years were non-utilisation fees rather than interest. It is anticipated that interest costs will begin to rise in 2013 as we gear up further, investing in both our land and development assets. Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties and disposal profits) to net interest, was 16 times (2011: 26 times). Once again, in accordance with accounting standards, no interest incurred in either year has been capitalised.

Our unprecedented interaction with the planning system saw continued investment in our strategic land holdings and to a lesser extent the development and investment property portfolio. Therefore, total net debt rose to £21.9m (2011: £2.3m). Gearing on net assets of £181.9m increased to a still modest 12% (2011: net assets £186.0m; gearing 1%). This total includes £2.8m (2011: £0.8m) of grant funding which is repayable from the future sale of residential units. All bank borrowings continue to be from facilities linked to floating rates or short term fixed commitments. During the year, we maintained three year committed bank facilities totalling £50m renewable in May 2015 and, throughout the year, we operated comfortably within the facility covenants and are forecast to continue to do so.

Tax

The tax charge for the year was £2.5m, with an effective rate of tax of 17.6% (2011: £5.3m, effective rate of tax 33.0%). Taxation on profit for the year was £1.9m (2011: £3.9m) and benefits from prior year adjustments were £0.2m. The reduced effective rate of tax for the year was also due to revaluation gains that were not sufficient to absorb previously unrecognised deferred tax assets. The deferred tax charge was £0.6m (2011: £1.4m) and has been calculated at 23%, being the rate expected to be applicable at the date the tax relief will arise.

Consolidated statement of cash flows

As anticipated, we reinvested heavily in our strategic land and house build inventories in advance of an improving housing market and the changes to the planning system. This, in addition to a steady build up in commercial development activity, saw our net borrowings increase to £21.9m during the year (2011: £2.3m). We continue to believe it is vital that we retain the flexibility to undertake developments and land deals without reference to the lending institutions, who are unwilling to lend against assets that represent the speculative phase of the property cycle. We must therefore retain the ability to fund these from our own resources, reserving investment assets as the covenant support for our bank facilities. It is likely that debt levels by the end of 2013 will rise as our forecast increased net investment in land and property investment and development occurs. During 2012, cash outflows from operations increased to £5.2m (2011: £1.1m) after a £19.4m (2011: £3.8m) investment in inventories offset net trading inflows of £14.1m (2011: £21.8m) and reduced receivables offset the payables, interest and tax cash outflows. Cash outflows from investing activities were £6.8m (2011: inflows £16.6m) as we recycled investment capital and committed a little more to the plant fleet than in 2011. Dividends paid, including those to non-controlling interests, totalled £7.6m (2011: £6.7m), a 13% increase on the previous year, as we fulfil our plan to move dividend returns back to pre-recession levels.

Consolidated statement of financial position

Investment property and assets in the course of construction were valued at £140.4m after adjustments for tenant incentives (2011: £138.2m). Additions during the year were the foodstore at Warminster (valued at £9.5m), a McDonald's drive-thru restaurant at Markham Vale, Chesterfield (valued at £1.2m) and a retail unit at Clifton Moor Retail Park, York (valued at £1.9m). The market value of investment property, including assets held for sale was £102.0m (2011: £90.8m) and the value of investment property under construction, within investment property, was £44.2m (2011: £52.2m) which reduced as we develop out these assets as investment properties.

Intangible assets reflect the Group's asset investment in Road Link (A69) Limited of £9.2m (2011: £10.4m). The treatment of this asset as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to the Highways Agency at the end of the concession period. Property, plant and equipment comprises Group occupied buildings valued at £6.8m (2011: £6.9m) and plant, equipment and vehicles with a net book value of £9.8m (2011: £8.7m), the increase arising from further investment in the plant business. Non-current trade and other receivables have decreased to £11.5m (2011: £15.8m) due to deferred receipts on land sales already undertaken moving into the current receivables category and not being replaced through sales in the year. Given the higher land sales anticipated in 2013, we expect our investment in receivables to increase by the end of the year. Deferred tax assets have grown as a result of the larger pension deficit. In total, non-current assets have decreased slightly to £186.6m (2011: £187.5m).

Within current assets, inventories of £81.6m (2011: £62.1m) increased due to further significant investment in the land portfolio. Trade and other receivables remained stable at £37.3m (2011: £37.6m). The property included within current assets held for sale in 2012 of £1.9m is the estimated Compulsory Purchase Order value of the part of our Beeston property which will be acquired to facilitate the Nottingham tram extension.

Current liabilities have increased by £18.2m to £80.8m (2011: £62.6m) as the current portion of debt increased to £19.2m (2011: £1.4m); trade payables increased slightly to £51.8m and so did provisions, as amounts provided for the infrastructure work at Bridgwater moved into the current category from non-current provisions and were utilised. Net current assets were £43.3m (2011: £42.3m). Non-current liabilities increased to £48.0m (2011: £43.7m) after IAS 19 pension liabilities increased to £30.5m (2011: £22.6m) after reductions in corporate bond yields increased the scheme's liabilities faster than the strong performance in the scheme's assets.

Net assets reduced by 2.2% to £181.9m (2011: £186.0m) as higher dividends and the increase in the pension deficit exceeded retained profits. Net asset value per share was slightly lower at 139p (2011: 142p).

Pension scheme

The annual IAS 19 valuation of the defined benefit pension scheme showed the deficit increasing to £30.5m (2011: £22.6m) at the year end. The scheme assets performed well in the year with an overall return of 8% and for the fifth year in succession achieved a better than expected return on scheme assets. Therefore, the deficit increase is again due to falling bond yields, which had the effect of reducing the discount rate used to 4.5% (2011: 5.0%). Each 0.1% change in the assumed differential between long-term investment returns and inflation continues to affect the deficit by approximately £2.5m; therefore the change in bond yields in this year more than explains the increase in the deficit. The deferred tax asset related to the deficit was £7.0m (2011: £5.7m). Adding back this net deficit of £23.5m (2011: £16.9m) to net assets, the 2012 deficit equates to 11% of equity shareholders' funds (2011: 8%). The triennial valuation at 1 January 2013 is now in progress and we believe that the recovery plan contributions agreed at the last triennial valuation will continue at about the same level. We expect to conclude negotiations on this funding level in the second half of 2013. The defined benefit scheme is closed to new entrants; active member contribution increases are capped at 1% per annum and new employees are offered entry to a defined contribution scheme. We continue to evaluate cost-effective ways of reducing risk within the scheme and will undertake liability management exercises as appropriate. The revision of the rules regarding accounting for pensions in IAS 19(R) will apply in 2013. At this stage, on adoption in 2013, we estimate that the defined benefit pension expenses figure will be circa £2.2m, compared to £1.6m in 2012.

Jamie Boot
Group Managing Director
19 April 2013

John Sutcliffe
Group Finance Director
19 April 2013

Financial review continued

Operating risk statement

In common with all organisations, the Group faces risks that may affect its performance.

The Group operates a system of internal control and risk management in order to provide assurance that it is managing risk whilst achieving its business objectives. No system can fully eliminate risk and therefore the understanding of operational risk is central to the management process within Henry Boot. The long-term success of the Group depends on the continual review, assessment and control of the key business risks it faces. To enable shareholders to appreciate what the business considers are the main operational risks, they are briefly outlined below.

Risk and description	Mitigation
Development	
Not developing marketable assets for both tenants and the investment market on time and cost effectively.	• Monthly performance meetings. • Defined appraisal process. • Monitoring of property market trends. • Highly experienced development team. • Sites for foodstores preferred. • Diverse range of sites within the portfolio.
Rising market yields on completion making development uneconomic.	• Active asset management. • Monitoring property market trends. • Only develop when yields are stable. • Development subject to a ‘hurdle’ profit rate.
Construction and tenant risk which is not matched by commensurate returns on development projects.	• Construction projects, including returns and cash flows, are monitored monthly by subsidiary company management teams. • Seek high level of pre-lets prior to authorising development. • Development subject to a ‘hurdle’ profit rate. • Shared risk with landowners where applicable.
Land	
The inability to source, acquire and promote land would have a detrimental effect on the Group’s strategic land bank and income stream.	• Monthly operational meetings detail land owned or under control, new opportunities and status of planning. • Each land acquisition is subject to a formal appraisal process which must exceed the Group defined rate of return and is subject to approval by the Group’s Executive Directors. • Land bank of over 9,000 acres with aspiration to grow towards 10,000 acres. Over time the land bank acreage has shown steady growth. • Finance available to support speculative land purchases. • Well-respected name within the industry. • Long-established contact base.

Risk and description	Mitigation
Land continued Prices may be affected by changes in Government policy, legislation, planning environment and taxation.	• The Group has extensive in-house technical and planning expertise devoted to monitoring and complying with regulations and achieving implementable planning consents. • The Group has adopted a low risk strategy to tax planning. Potential and actual changes are monitored by both experienced in-house finance staff and external advisers. • Healthy profit margin. • Demand for housing land is strong in the long term, aided by population growth.
A dramatic change in-house builder funding sentiment and demand for housing can have a marked change on the demand and pricing profile for land.	• The Group's policy is only to progress land which is deemed to be of high quality and in prime locations. • The business is long-term and is not seriously affected by short-term events. • Greenfield land is probably the most sought after land to build upon. • Long-term demographics show a growing trend, therefore demand for land will follow. • House builders have recovered well from the nadir of the recession.
Investments Identifying and retaining assets which have the best opportunity for long-term rental and capital growth or, conversely, selling those assets where capital values have been maximised.	• This is an ongoing process with regular reviews of the assets and market conditions and is undertaken dispassionately to achieve best value. • Broad range of development opportunities to choose from. • Investment assets are seen as tradeable if required.
Interest rates Significant upward changes in interest rates affect interest costs, yields and asset prices and reduce demand for commercial and residential property.	• The Group uses a mixture of fixed and floating rate loans in order to minimise interest rate costs. • Statement of Financial Position strength allows the Group to warehouse sites in tough markets. • Tough markets often create opportunities to acquire new sites. • Long-term nature of land business helps smooth short-term interest rate impacts. • Interest cover is high, gearing relatively low and therefore there is significant scope to deal with interest rate rises.

Financial review continued

Risk and description	Mitigation
Treasury	
The lack of readily available funding to either the Group or third parties to undertake property transactions can have a significant impact on the marketplace in which the Group operates.	• The Group has agreed three year facilities with its banking partners. • Detailed cash requirements are forecast up to 15 months in advance and reviewed and revised monthly. • Financial instruments are considered where applicable and any short-term positive cash balances are placed on deposit. • Facilities backed by investment property assets. • Development funding is not utilised. • Group funding levels are prudent in relation to the Statement of Financial Position. • Our lending banks' financial positions are recovering and the appetite to lend is improving. • The Group and Executive Board are very mindful of overtrading into the recovery.
Planning	
Increased complexity, cost and delay in the planning process may slow down the project pipeline.	• The Group's highly skilled in-house technical and planning teams monitor changes in the market and planning process and react accordingly to ensure that planning consents are achieved in the most cost-effective and timely manner, whilst ensuring a broad spread of developments remain in the planning system at any one time. • Good local knowledge assists in bringing forward prime land and contractual agreements ensure land can be brought to market at an appropriate time. • Long-established successful operator. • Inventory of over 120 sites in progress throughout the UK. • Sites are greenfield and of a high quality.
The recent significant change in demand for housing and the attendant decline in land prices may have a detrimental effect on the supply of land being brought to market by landowners.	• Pricing and demand have stabilised so we are now seeing strong markets in the south of England. • Mortgage availability slowly improving. • Continue to work to acquire land for the longer term. • Large land bank can help smooth short-term fluctuations.
Changes in Government or Government policy, as happened in 2010, towards planning policies could impact on the speed of the planning consent process or the value of sites.	• Large land bank can help smooth short-term fluctuations. • A high profit margin can be achieved when successful. • No revaluations are taken on land through the planning process, therefore though profits may be smaller if site values fall the Group should still achieve a good profit margin on sale.
Personnel	
Attraction and retention of the highest calibre people with the appropriate experience is crucial to our long-term growth in the highly competitive labour markets in which the Group works.	• In the short term this risk is reduced as unemployment rises and recessionary conditions prevail. • Good long-term employment record indicates that good people stay within the Group. The Group encourages equity ownership. • Decent record of sharing profits with staff.

Risk and description	Mitigation
Pension The Group operates a defined benefit pension scheme which has been closed to new members for some time. Whilst the Trustees have a prudent approach to the mix of both return seeking and fixed interest assets, times of economic instability can have an impact on those asset values with the result that the reported pension deficit increases. Furthermore, the relationship between implied inflation and long-term gilt yields has a major impact on the pension deficit and the business has little control over those variables.	• Operation of Trustee approved Recovery Plan. • Whilst pension schemes are a long-term commitment, regulations require the Group to respond to deficits in the short term. • Move out of index linked gilts will provide a cushion should rates rise. • Risk mitigated by move to diversified growth funds on around 23% of assets, along with 8% of assets into an index linked property fund. • Treat pension scheme as any other business segment to be managed. • Strong working relationship maintained between Company sponsor and pension Trustees. • Use good quality external firms for actuarial and investment advice.
Environmental The Group is inextricably linked to the property sector and environmental considerations are paramount to our success.	• Our interaction with the environment and the agencies that have an overarching responsibility has to be positive at all times in order to achieve best value.
Stricter environmental legislation will increase development and house building costs and therefore could impact on profitability if capital and land values do not increase to reflect more efficient energy performance.	• Through the National Federation of Builders the Group attempts to reduce the impact on its business. • Internal design helps mitigate environmental planning issues. • Record of awards given in respect of good safety and environmental performance. • Environmental impacts addressed at each subsidiary company board meeting. • Construction division has a Renewable Energy Unit to progress Group aims in this area.
Economic The Group operates solely in the UK and is closely allied to the real estate, house building and construction sectors. A strong economy with strong tenant demand is vital to create long-term growth in rental and asset values, whilst at the same time creating a healthy market for the construction and plant hire divisions. The much published reductions in public spending, the more difficult planning regime and comparatively low levels of property lending could have an impact on the Group's business.	• A strong Statement of Financial Position with low gearing and long-term shareholder base means that we can ride out short-term economic fluctuations. • Different business streams increase the probability that not all of them are in recession at the same time. • The City recognises the Group is a cyclical business and understands performance will be affected by economic cycles. • Directors and shareholders share common goal of less aggressive leveraging than some competitors.
Counterparty Depends on the stability of customers, suppliers, funders and development partners to achieve success.	• In recessionary periods the Group pays particular attention to the financial strength of counterparties before contracting with them in order to mitigate financial exposure.

Corporate responsibility

Health and safety continues to be our top priority

Our aims

1 To ensure that all our stakeholders have a safe and healthy work environment.

2 To support our people in realising their full potential.

3 To support the development in the local communities in which we operate.

4 To take responsibility for our impact upon our environment.

The Group's Corporate Responsibility (CR) programme is a fundamental part of who we are. It is pulled together under four strands: Our Health and Safety, Our People, Our Community and Our Environment.

Our commitments to corporate responsibility take many forms, from providing volunteers for community initiatives to supporting our employees to realise their full potential.

We have identified a number of key performance indicators (KPIs) against which we measure our CR. These are monitored during the year and action taken if necessary.

Our Health and Safety

Health and safety continues to be given the highest priority within Henry Boot from Executive Board level down; we have developed practical and safe systems of work which are borne out by the Company's exemplary safety statistics. Our priority is to ensure that all employees take part in regular, comprehensive training, tailored to their specific job and meeting all industry requirements.

Our Performance

During 2012 we have continued to focus on making health and safety the top of the agenda within all our subsidiary businesses. Our continued growth saw an increase in internal audits to 219 (2011: 191).

We continued to benchmark our health and safety performance against Constructing Excellence Health and Safety KPIs. We have succeeded in a further reduction in our accident frequency rate (AFR) to 0.20 per 100,000 hours worked including our subcontractors (2011: 0.31); for the second successive year our construction related AFR for our directly employed staff is zero.

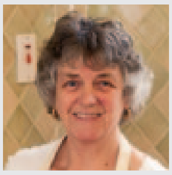
An integral part of our health, safety and environmental system is a robust system resilience test to ensure compliance, this was first undertaken in 2011 with great success. In 2012 we held a further mock incident on Henry Boot Construction Limited's Eastlands high rise tower block contract in Manchester where we simulated on paper a scaffold collapse including an environmental pollution incident and all the ensuing investigation. This was again facilitated by a partner of Nabarro LLP's Health, Safety and Environment team.

We have also been recertified following an audit by Lloyd's Register Quality Assurance for BS OHSAS 18001, an internationally recognised assessment of our occupational health and safety procedures; additionally we maintained accreditations to ISO19001 (quality management) and ISO14001 (environmental management).

We have continued to educate our own employees through direct training and tool

Laurence Ross, Site Manager, conducting a health and safety talk at Crowcroft Primary School, Longsight, Manchester

Ollie Saxton, a user of the Ryegate Children's Centre, assists Simon Carr, Henry Boot Construction, and Mark Dransfield, Dransfield Properties, in the demolition of the old hydrotherapy pool



"I love working at Banner Cross Hall. It is always enjoyable and I would get bored at home. All the staff are so pleasant and kind and the office is on my doorstep!"

Pauline Dungworth works part-time in the canteen at Banner Cross Hall working for Henry Boot PLC and has worked for the Company for four years.

box talks and have continued to extend the education into the communities in which we work. We have again spent time in numerous schools spreading the message of safety in construction. By engaging with our communities we have seen a greater understanding of our work.

Our Achievements

We have celebrated the achievement of a Royal Society for the Prevention of Accidents (RoSPA) Gold Award for Health and Safety for the third consecutive year, celebrating our commitment to achieving the highest standards of health and safety within our business operations.

We also celebrated the Commitment to Health and Safety Award at the National Federation of Builders Annual Awards. This award recognises best practice in the industry and a commitment to achieving the highest possible standards of health and safety.

Carol Hill-Firth, Customer Care Co-ordinator, ably assisted in the construction of a sandcastle by a Doncaster youngster

Case study

Henry Boot Construction Limited Sustainable Business Strategy

In 2012, Henry Boot Construction Limited introduced its Sustainable Business Strategy; formulated from a number of existing practices, the Sustainable Business Strategy focuses on three key strategic themes: Responsible Business, Environment and People & Communities.

Sustainability is of key importance to our stakeholders and the framework of nine areas under the three key themes will ensure that Henry Boot Construction Limited delivers a sustainable approach to its operations and the projects undertaken.

The strategy recognises and supports the central part that people play in the success of the business and the importance of the relationships that are formed with the supply chain; it highlights the need to work in partnership with local communities in order to create value, minimise disruption and continue to protect the environment in which our projects are situated.

Corporate responsibility continued

Our People

Our employees are highly talented, successful and motivated individuals and are essential to the success of the Company. Everything that we do, how we act and how our stakeholders perceive us is crucial to our ongoing success; we are committed to ensuring that we have the right people working for us and manage this process through a robust people strategy.

Our Performance

In order to support the growth of our people and their ability to make a contribution to our businesses, we delivered a total of 1,085 days of training in 2012 (2011: 927 days), the equivalent of 2.55 days per employee (2011: 2.2 days). We provide training in leadership, people management, health and safety and a whole variety of subsidiary specific training. Through the use of funding we have seen only a slight increase in the per capita spent to £131 (2011: £123).

During 2012 our apprentice, trainee, graduate and internship numbers increased by eleven. We currently have 21 apprentices, trainees, graduates and internships across all of our businesses; our retention rate is currently around 95% which is well ahead of the industry norms. Henry Boot has historically utilised the apprenticeship/traineeship as a mechanism of identifying future leaders within our businesses.

In 2012 we trained ten employees to become Construction Ambassadors for CITB-Construction Skills; this scheme involves those already working within construction and the built environment who are passionate about their work and are happy to share their experience with others. Our Ambassadors give presentations in the local communities and are keen to pass on their experiences and skills to others. We participated in Teen Tech Experience at Doncaster Racecourse which was a platform to inspire youngsters in Yorkshire to consider careers in construction and also the importance of science, technology, engineering and maths. Due to the success of the scheme we intend to train more of our employees to be Construction Ambassadors in 2013.

Our Achievements

In 2012, Henry Boot Construction Limited's Project Manager Michael Wake was nominated in the Housing and Accommodation £8m and below category in the Chartered Institute of Building (CIOB) Construction Manager of the Year Awards. He was nominated for his work on a new homes development at Shirecliffe for Sheffield City Council, where 27 new homes were built to level four of the Code for Sustainable Homes. Michael was placed in the top five of the nominees in his category, justified recognition for his commitment to the success of the project.

Accident frequency rate (AFR)

0.00 per 100,000 hours worked

12	**0.00**
11	0.00
10	0.28

Commitment Our Health and Safety

Objective To ensure a reducing number of health and safety incidents when measured against the Constructing Excellence Health and Safety KPIs

Comments Another successful year of zero incidents affecting our directly employed staff

Accident frequency rate (AFR) (inclusive of subcontractors)

0.20 per 100,000 hours worked

12	**0.20**
11	0.31
10	0.46

Commitment Our Health and Safety

Objective To ensure a reducing number of health and safety incidents when measured against the Constructing Excellence Health and Safety KPIs

Comments Our ongoing education of our subcontractors and the closer monitoring of their working practices has resulted in a 35% reduction in incidents

Reportable accidents

3

12	**3**
11	5
10	12

Commitment Our Health and Safety

Objective To ensure a reducing number of health and safety incidents when measured against the Constructing Excellence Health and Safety KPIs

Comments It is an ongoing priority and focus of the Group to commit to ensuring health and safety is paramount. 2012 saw a further 40% reduction in the number of reportable accidents

Employee profile

438 338 males/ 100 females

12	**438** (338 males/100 females)
11	**439** (347 males/92 females)
10	**496** (387 males/109 females)

Commitment Our People

Objective To ensure a diverse spread of genders within all job roles in the Group

Comments We currently have a gender split of 77% male to 23% female. In order to address this we are working closely with external partners to encourage under-represented groups into the industry

Personal development (days)

1,085

12	1,085
11	927
10	649

Commitment Our People

Objective To ensure that our employees are trained to the appropriate level and are given adequate opportunity to develop their careers

Comments A 17% increase in the number of training days delivered over the period

Considerate Constructor Scheme points

34.7

12	34.7
11	34.3
10	33.3

Commitment Our Community

Objective To be classified as a 'good neighbour' when scored against the Considerate Constructor Scheme

Comments Another solid year of performance which saw achievement of several Scheme awards

BITC Environmental Index

95%

12	95%
11	91%
10	77%

Commitment Our Environment

Objective To be recognised by a recognised body as being a leader in environmental management in our region

Comments A 4% increase on the 2011 score, due to our consistent achievement and improvement in rating. We are now classed as Platinum status which puts us in the top nine companies in Yorkshire and the Humber

Recycling (Diverted from landfill)

93%

12	93%
11	93%[1]
10	92%[2]

[1] Target 87%
[2] Target 85%

Commitment Our Environment

Objective To reduce the amount of waste going to landfill by recycling, reusing or upcycling

Comments An increase on the Company waste recovery target (2012: 89%). We continue to improve our methods of work to try to increase this number further

We were also nominated for and won the Leadership and People Award at the annual Construction Sector Network (Yorkshire & Humber) awards; this award was voted for by our peers in the industry and the recognition of our ongoing efforts in this area is especially pleasing.

Our Community

We have continued our efforts to ensure that our activities bring benefits to the local communities and the people within them, supporting employment and regenerating local areas. We have also continued to support charities and local groups through company donations of time, expertise and financial donations.

As a leading contractor it is of importance for us to demonstrate that we are committed to the communities in which we are working, by being a good neighbour and accountable for our actions.

Our Performance

We have continued to establish links with local education establishments and were pleased to host a number of MBA students from Sheffield Hallam University in the latter part of 2012, undertaking research within our construction business. We also established links with the Communication Specialist College in Doncaster and have hosted a number of their deaf students who are undertaking trade apprenticeships on our sites in order for them to gain real life experience working on site.

In 2012, we continued to be active in the communities in which we operate; some of the projects and fundraising in which we have been involved over the last twelve months are:

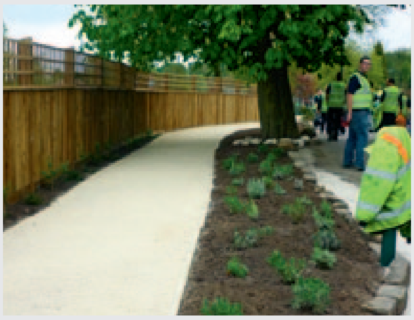
- raising over £1,500 for Sheffield Children's Hospital with a team of Henry Boot Construction Limited employees completing the Three Peaks Challenge;
- fundraising for Sheffield Cathedral Archer Project for the homeless and vulnerable by participating in Woolly Hat Day;
- participating with our supply chain partners in a football tournament to raise funds for the Master Cutler's Charity, which for 2012 was Cavendish Cancer Care;
- raising £5,000 for St Luke's Hospice, Sheffield, by supporting a member of our staff to host a charity golf day in memory of his father;
- organising a trip to Blackpool for those residents who had experienced disruption during construction works in their properties;
- continuing support of the redevelopment of the Ryegate Children's Centre where we have been working in partnership with Dransfield Properties to redevelop the hydrotherapy pool for Sheffield Children's Hospital; and

Corporate responsibility continued

By engaging with our communities we have seen a greater understanding of our work.

Case study

BITC Give and Gain Day 2012



In 2012 Henry Boot PLC became a member of Business in the Community (BITC) in Yorkshire and Humber; one of our first employer supported volunteering projects took place at W.O.R.K Ltd, which is situated approximately one mile from our Head Office at Banner Cross Hall.

W.O.R.K Ltd was set up to provide a working environment for young people with mild learning disabilities. The young people that attend have the chance of actual hands-on work experience which gives them hope for a better future towards independent living and personal development.

20 volunteers from the Henry Boot Group joined more than 300 volunteers from businesses across Sheffield and the wider South Yorkshire area descended upon the premises of W.O.R.K Ltd on Friday 18 May and participated in what can only be described as a day of transformation. Our volunteers were involved in projects which included the painting of an indoor resource room and the laying of a pathway to allow safe access to the centre by its users. We used our contacts in our wider supply chain and received generous donations of both services and supplies which allowed the day to be a great success.

Following completion of the Give and Gain Day, we continued our partnership with W.O.R.K Ltd by advising and assisting with the procurement of temporary accommodation to provide storage facilities and a meeting room for the centre.

Our Community continued

Our Performance continued

- donating IT equipment to The Willows School, Rotherham; a school for pupils with a range of learning difficulties, including speech and language difficulties, ASD and some emotional and behavioural difficulties, from the age of seven up to sixteen years old.

We are representative on the EN Procure 4 Good Fund Panel, which meets twice per year to assess bids made by local organisations. Bids are assessed against an agreed framework that reflects the four EN Procure Framework themes – efficiency, employment and skills, social and economic regeneration and sustainability.

We have donated £15,344 to charities nominated by our employees in matching contributions through our Give As You Earn Scheme (2011: £18,900). In 2012 we donated in excess of £15,000 to a varied range of causes both locally and nationally (2011: £22,000). Charities supported in 2012 included Cutlers Hall Preservation Trust, The Princes Trust, Weston Park Hospital, Derbyshire Wildlife Trust and Museum Sheffield.

Our Achievements

We continued our Associate membership of the Considerate Constructors Scheme and saw the sixth year of improvement in our scoring, which demonstrates our commitment to the Scheme. Our highest score in 2012 was recorded at the North Lincolnshire Homes external wall insulation project in Scunthorpe where a score of 37.5 out of a possible 40 was achieved.

We celebrated another successful year at the National Considerate Constructors Scheme Awards, picking up three Gold Awards and a further two Runner-up Awards for the Most Considerate Site in the UK. We are delighted to be the only construction company in the history of the awards to receive two Runner-up Awards three years in succession.

Right Max Pattern, NVQ 2 Plastering student at Communication Specialist College, Doncaster, with Paul Beattie, Plasterer, on site at Stainforth, Doncaster

Our Environment

Henry Boot continues to be committed to the highest levels of sustainability and we are committed to reducing our environmental impact by a variety of measures.

Our Performance

2012 has again seen us make improvements in our desire to achieve a sustainable and green business model. The implementation of the Henry Boot Construction Sustainability Strategy is a key component of this and will no doubt see improvements across the Group in the coming years.

We have been recognised by Business in the Community (BITC) Yorkshire and the Humber as achieving platinum status, a rating of over 95% when measured against its environmental index, an increase on last year's assessment (2011: 91%). As a result of this we are now listed as one of the top nine companies in the region on the Business in the Community Environmental Index and received a Climate Change Champion Award.

2012 saw another year of progress in reducing waste, with an increase on the Company waste target to 93% (target: 89%).

Working in collaboration with the CIOB in South Yorkshire, members of our Tropo renewables division have delivered seminars to 'de-mystify' the renewables markets, covering energy efficiency, carbon reduction and the forthcoming Green Deal.

Through our social housing contracts we have delivered energy monitors and money saving advice to tenants as part of our drive to reduce the environmental impacts of our construction activities. We have also trained a number of our employees to be City & Guilds Energy Awareness Advisors who advise tenants on saving fuel, power and heating costs as well as doing their bit for the environment.

Our Achievements

Henry Boot Construction Limited was successful in the Environmental category at the CIOB Celebrating Construction Awards in South Yorkshire; this was the third successive win and highlights the Group's commitment to maintaining the highest level of environmental standards. We were also awarded a similar award in the Environmental category at the CIOB Committed to Construction in the West Yorkshire Awards.

Brendon Keown

Group Safety, Health and Environmental Manager

Brendon Keown is Group Safety, Health and Environmental Manager for Henry Boot PLC and has worked for the Company for four years.

"I joined Henry Boot in 2008 having worked for a number of years for a civil engineering contractor as a Senior QUENSH (Quality, Environmental, Safety, Health) Manager. I am motivated by the variety my role offers me across the Group with each business stream presenting different challenges; I like a diverse workload, it most certainly beats turning up to the same desk everyday!

I am keen to continually improve the Group's commitment to safety, health and the environment and find as each year passes there are different things to have a go at, often putting me left field of my comfort zone. My role is not boring in the slightest!

There are not many companies out there where you can just pick up the phone and speak to the Directors about safety, health and environmental related issues; what's more, the support given to me by the Directors is not something I have personally experienced elsewhere in my career. This is testament that all the Group and its Directors ensure that safety, health and environmental management remains a key focus across their businesses."

Board of directors and subsidiary company managing directors

Board of directors

From left to right: John Sutcliffe, Michael Gunston, John Brown, Jamie Boot and James Sykes.

John Brown
Chairman
John Brown, FCCA, CTA, 68, was appointed to the Board in 2006 as a Non-executive Director and became Chairman in May 2011. He was formerly the Chief Executive of Speedy Hire plc which he founded in 1977. He is also a Non-executive Director of Norcros plc and a Non-executive Director of Lookers plc, both London Stock Exchange listed companies, and he holds a number of other directorships. He is Chairman of the Nomination Committee and a member of both the Audit and the Remuneration Committees of the Board.

Jamie Boot
Group Managing Director
Jamie Boot, 61, joined the Company in 1979 and was appointed to the Board in 1985. He became Group Managing Director in 1986. He is also the Chairman of the Company's four principal operating subsidiaries – Henry Boot Construction Limited, Hallam Land Management Limited, Henry Boot Developments Limited and Banner Plant Limited – and reports to the Board on these businesses. He is the Board member responsible for health and safety matters.

Michael Gunston
Non-Executive Director
Michael Gunston, FRICS, 69, was appointed to the Board in 2006 having retired as the Chief Surveyor of The British Land Company PLC where he worked for nearly 32 years. He is the Senior Independent Director, Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

John Sutcliffe
Group Finance Director
John Sutcliffe, BA, ACA, 53, joined the Company and the Board in 2006 as Group Finance Director and Company Secretary. He previously held a similar role with Town Centre Securities PLC and prior to that was Finance Director of Abbeycrest plc. John is a member of the CBI Yorkshire and the Humber Regional Council. He is the Board member responsible for finance, company secretarial, insurance, risk and pensions.

James Sykes
Non-Executive Director
James Sykes, BA, ACA, 48, was appointed to the Board in March 2011 as a Non-executive Director. He is a Partner in the London office of Saffery Champness, Chartered Accountants, which he joined from university in 1987. He is the Head of its Private Wealth and Estates Group and is also a member of the firm's Management Board. He is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Subsidiary company managing directors

David Anderson
Henry Boot Developments Limited
David Anderson, BSc (Hons), MRICS, 46, started his career in town planning consultancy and then joined Henry Boot Developments Limited in 1990 as an Assistant Development Surveyor, rapidly rising to the position of Senior Development Surveyor. He was appointed a Director in 1996 and became Managing Director of the Company in 2005.

Giles Boot
Banner Plant Limited
Giles Boot, BA (Hons), 53, joined the Henry Boot Group in 1982 and had a variety of management roles in Rothervale Trading Limited, the retail side of the then Group's door manufacturing business. Moving to Banner Plant Limited in 1988, he held a number of positions, including Depot Manager and Business Development Manager, before being appointed to its Board in 1995, becoming Managing Director in 2000.

Simon Carr
Henry Boot Construction Limited
Simon Carr, BSc (Hons), FRICS, 54, has been with Henry Boot for over 24 years. He has held a number of positions on the construction side of the business, including Partnering Manager and Operations Director. He took over as Managing Director in 2009. Simon is a member of the Board of the Sheffield City Region Local Enterprise Partnership and the Sheffield City Region Joint Housing and Regeneration Board. He also sits on the South Yorkshire Freight and Transport Partnership, is the immediate past president of the Yorkshire Builders Federation and is a member of the regional executive board of the National Federation of Builders.

Keran Power
Hallam Land Management Limited
Keran Power, MRTPI, 62, began his career in Local Government as a Planning Officer. He joined the then newly created Hallam Land Management Limited in 1990 and was appointed a Director in 1993. He became Managing Director in 2010. Keran is a Chartered Town Planner and for a number of years was a member of the National Council of The Royal Town Planning Institute.

Directors' report

The Directors have pleasure in presenting the Annual Report and the audited Financial Statements for the year ended 31 December 2012.

Principal activities of the Group

The principal activities of the Group during the financial year were:

- Property – property investment and development.
- Land – land development.
- Construction – construction, civil engineering, road maintenance under a PFI contract and plant hire.
- Other – central services, head office administration and in-house leasing.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 51. The principal active subsidiary companies affecting the profit or net assets of the Group in the year are listed in note 35 to the Financial Statements.

The Directors recommend that a final dividend of 2.90p per ordinary share be paid on 31 May 2013 to ordinary shareholders on the register at the close of business on 3 May 2013. This, together with the interim dividend of 1.80p per ordinary share paid on 26 October 2012, will make a total dividend of 4.70p per ordinary share for the year ended 31 December 2012.

Business review

The review of the development and performance of the business of the Group during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 8 and 9 and the Operational Review on pages 14 to 37. Details of the principal risks and uncertainties that the Company faces are set out in the Operational Review on pages 28 to 31. The key performance indicators are set out in the Business Review on pages 12 and 13.

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 58 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 16, 23, 24 and 25 to the Financial Statements.

Share capital

Details of the Company's issued share capital during the year are set out in note 30 to the Financial Statements.

The Notice of the Annual General Meeting (AGM) on pages 88 to 91 includes the following resolutions:

- an ordinary resolution (Resolution 7) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,369,870 being 33.33% of the Company's issued ordinary share capital at 25 March 2013. The authority will expire on 22 August 2014 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority. The Directors do not have any present intention of exercising the authority;
- a special resolution (Resolution 8) to enable the Directors to continue to allot equity securities for cash in connection with a rights or other issue pro rata to the rights of the existing shareholders, but subject to certain exceptions, and for any other purpose provided that the aggregate value of such allotments does not exceed £655,000 (5% of the Company's issued ordinary share capital at 25 March 2013). The authority will expire on 22 August 2014 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority; and
- a special resolution (Resolution 9) to renew the authority of the Company to make market purchases of up to 11,055,000 of its own issued ordinary shares (8.43% of the Company's issued ordinary share capital at 25 March 2013). The minimum price that may be paid under the authority for an ordinary share is 10p and the maximum price is limited to not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Directors will exercise the authority only if they are satisfied that it would be likely to result in an increase in expected earnings per share of the ordinary share capital in issue and that any purchase will be in the best interests of shareholders generally. If the Directors do decide to exercise the authority, ordinary shares so acquired will either be cancelled or held as treasury shares, depending upon the circumstances prevailing at the time.

Directors

J E Brown, E J Boot, J T Sutcliffe, M I Gunston and J J Sykes held office as Directors throughout 2012 and up to the date of signing the Financial Statements. Their biographical details are shown on page 38.

In accordance with the Articles of Association of the Company, J E Brown and J T Sutcliffe will retire by rotation at the forthcoming AGM and offer themselves for re-appointment. In accordance with the June 2010 edition of the UK Corporate Governance Code, the Chairman confirms that the performance of J T Sutcliffe continues to be effective and demonstrates commitment to his roles. E J Boot confirms that the performance of J E Brown continues to be effective and demonstrates commitment to his roles. At no time during the year has any Director had any interest in any significant contract with the Company.

Directors' indemnity

Subject to the provisions of and to the extent permitted by relevant statutes, under the Articles of Association of the Company, the Directors and other officers throughout the year, and at the date of approval of these Financial Statements, were indemnified out of the assets of the Company against liabilities incurred by them in the course of carrying out their duties or the exercise of their powers.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Operational Review on pages 14 to 25. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 26 and 27.

As highlighted in note 23 to the Financial Statements, the Company meets its day-to-day working capital requirements through a secured loan facility, which includes an overdraft facility, which was renewed with effect from May 2012. The current economic conditions create uncertainty for all businesses over a number of risk areas. As part of their regular going concern review the Directors specifically address all the risk areas that they consider material to the assessment of going concern. The report arising from these discussions is made available to the auditors and the conclusion is that the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Takeovers Directive

Information for shareholders required pursuant to the relevant companies' legislation which implements the Takeovers Directive is disclosed in the Shareholder information section on page 87.

Directors' interests

The interests of Directors in the share capital of the Company, other than with respect to options to acquire ordinary shares, are shown in the table below:

		At 31 December 2012		At 31 December 2011	
		Beneficial	Non-beneficial	Beneficial	Non-beneficial
J E Brown	– Ordinary	25,000	–	25,000	–
E J Boot	– Ordinary	5,359,662	1,067,580	5,224,662	1,067,580
	– Preference	14,753	–	14,753	–
J T Sutcliffe	– Ordinary	327,561	–	235,921	–
M I Gunston	– Ordinary	23,000	–	23,000	–
J J Sykes	– Ordinary	10,000	22,057,155	10,000	22,057,155
	– Preference	–	6,843	–	6,843

Between 31 December 2012 and 25 March 2013, being a date not more than one month prior to the date of the Notice of the AGM, there have been no changes in the beneficial and non-beneficial interests of any Director.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on page 47.

Employees

The Group values the equality and diversity of our workforce and it is our commitment to ensure that all our employees, potential recruits and other stakeholders are treated fairly and equitably. Selection in recruitment, for training, promotion and any other employment related matter is based upon individual skills and aptitude irrespective of sex, sexual orientation, race, colour, age, disability, nationality and marital/civil partnership status. We give full consideration to the diverse needs of our employees and potential recruits and are fully compliant with all current legislation; where necessary appropriate arrangements are made for the continued employment and development of disabled persons. Where an employee becomes disabled during employment, we will work with the employee to provide support and reasonable adjustments including suitable alternative job roles.

The core values of the Group remain central to our employment proposition and we have built our people strategies around maintaining and enhancing them to the benefit of all stakeholders. We value the inclusive culture that is present with the Group in which our employees can grow, thrive and succeed. It is important to us that all our employees feel able to be themselves and to perform to their full potential; as an employer we make every effort to ensure that our employees are both engaged in our aims and are provided with the support to enable them to perform their duties to the highest possible standard.

We have continued to invest in our employees and specifically have focused on identifying and developing key talent to ensure we have the succession and capabilities to deliver our expertise year on year. In addition, we aim to attract and select new talent who will support and deliver against our objectives.

New employees are eligible to join the Group's stakeholder pension plans which includes life assurance arrangements. In addition we also offer private medical insurance, childcare vouchers and income replacement (PHI) arrangements. We also continue to encourage employee share ownership through participation in various share option plans.

Health and safety

The Group recognises the importance of its employees working in a healthy and safe environment and its responsibilities to clients, visitors, contractors, tenants, members of the public and anyone who comes into contact with our operations. Further information is provided in the Corporate Responsibility Report on pages 32 to 37.

Supplier payment policy

The Group's policy is for all companies within the Group to agree terms and conditions with their suppliers and subcontractors. Payments are then generally made on the basis of this agreement, providing the suppliers and subcontractors conform to the terms and conditions stipulated. At 31 December 2012 the Company had an average of 21 days' (2011: 15 days') purchases outstanding in trade payables.

Charitable donations

Donations for charitable purposes totalled £31,188 (2011: £41,130). Details of some of the charities supported are set out in the Corporate Responsibility Report on pages 32 and 37. The Company made no political donations in the year or in the previous year.

Statement of disclosure of information to auditors

The Directors of the Company who held office at the date of approval of this Annual Report each confirm that:

- so far as they are aware, there is no relevant audit information (information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have signified their willingness to remain in office and resolutions re-appointing them as auditors (Resolution 5) and authorising the Directors to fix their remuneration (Resolution 6) will be proposed at the AGM.

Directors' report continued

Corporate governance

I am pleased to report that the Company has complied with the vast majority of the provisions of the June 2010 edition of the UK Corporate Governance Code throughout the year under review. As Chairman, I am responsible for the leadership of the Board and ensuring that it operates effectively. The Board has agreed clearly defined roles for myself and the Managing Director and the Non-executive Directors challenge management and contribute to strategy. The Board, its Committees and individual Directors are subject to annual performance evaluation and all Directors are subject to re-election by shareholders at intervals of no more than three years. Appointments to the Board will always be made on merit against objective criteria and the Board strongly supports the principle of boardroom diversity.

John Brown Chairman

The Board continues to support and remains committed to achieving and maintaining a high standard of corporate governance. However, it believes that such governance must reflect the unique nature of the Company, the composition of its shareholders, many of whom have strong family ties to the Company, as well as other stakeholders' interests and, above all, must assist in the effective attainment of corporate objectives.

During the accounting period under review, the Company, as a premium listed company, was subject to the June 2010 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC). The UK Corporate Governance Code is publicly available free of charge on the FRC website at www.frcpublications.com.

The Directors take comfort in the fact that the Code recognises that not all of the provisions are necessarily relevant to smaller listed companies and the Code states that departures from its provisions should not be automatically treated as breaches.

In applying the Principles of Good Governance, including both the Main Principles and the Supporting Principles, the policies adopted by the Board follow the Code's guidelines insofar that they assist the overall wellbeing of the Company and its shareholders' interests. Pragmatism also constitutes a very important element in the Board's approach and adoption of all the supporting principles of the Code is not an objective as such. Further explanations of how the Main Principles and the Supporting Principles have been applied are set out below and on pages 43 to 45.

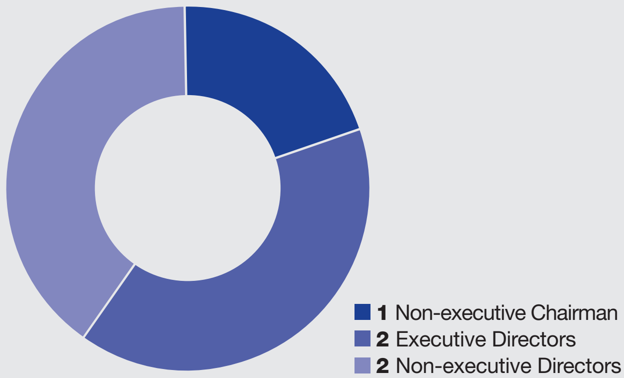
The Board

The Board consists of five Directors and their biographical summaries appear in the Directors' Report on page 38. Two of the Directors are executive and the remaining three, including the Chairman, are non-executive.

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls that enables risk to be assessed and managed. It sets the Company's strategic aims and ensures that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance. The Board also sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The Board retains a Schedule of Reserved Matters which is reviewed annually to ensure that strategy and key elements that might affect the implementation of corporate goals are adhered to. At its regular Board meetings there is a series of matters that are dealt with including a health and safety review, a finance review, operational reviews on all the main trading subsidiaries and a secretarial review encompassing corporate governance, risk, shareholder matters, pensions and insurance. The Board also reviews strategy, budgets and matters relating to internal controls as appropriate. The subsidiary board meetings are attended by the two main board executives. Operational decisions affecting each subsidiary are taken by the individual boards at these meetings.

Board composition



All Directors have access to the Company Secretary and there is in place a written procedure for all Directors to take independent professional advice.

Board effectiveness

The Chairman is responsible for leadership of the Board and ensuring it operates effectively. The Directors possess an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

The roles of the Non-executive Chairman, J E Brown, and the Managing Director, E J Boot, are clearly defined and they act in accordance with the Main and Supporting Principles of the Code.

Throughout the year there were seven Board meetings attended by all Directors, two Audit Committee meetings, three Remuneration Committee meetings and the AGM, which they were entitled to attend. The Nomination Committee was set up during 2012. No meetings of that Committee have taken place since its inception. The Non-executive Directors meet without the Executive Directors being present usually just prior to Board meetings. The Board considers that the Non-executive Directors constructively challenge both the Executive Directors and divisional management at Board meetings and through ad hoc discussions.

Divisional Managing Directors attend Board meetings on a rotational basis to present their operational business plans and strategy to the Board.

All Directors are required to be re-elected at intervals of no more than three years and newly appointed Directors are subject to election at the AGM following their appointment.

Training and development

The Board received appropriate training and updates on various matters as part of the regular Board meetings. All Directors are offered the opportunity and are encouraged to continue their professional development and update their commercial and Company knowledge as required.

Board balance and independence

For the purposes of the accounting period under review, J E Brown and M I Gunston are the independent Non-executive Directors and, with the Company being a 'smaller company' as defined by the Code, they fulfil the requirement for having two such Directors. M I Gunston is the senior independent Director of the Company. J J Sykes was appointed to represent the substantial shareholdings of the Reis family interests (see page 41) and is not regarded as an independent Non-executive Director.

Conflicts of interest

The Company's Articles of Association enable the Board to authorise Directors' conflicts of interest.

Conflicts of interest are reported by Directors to the Company Secretary and in turn through the Board meeting processes. There have been no conflicts of interest reported to the Board during the year.

Board evaluation

The Executive Directors' performance is reviewed annually by the Remuneration Committee to ensure that they continue to contribute effectively to the Group's overall objectives. The Non-executive Directors' performance and commitment is kept under review throughout the year by the Executive Directors. The Non-executive Directors meet without the Chairman to discuss the performance of the Chairman at least twice a year.

A performance evaluation of individual Directors was carried out and there was a formal evaluation of the Board and its Committees in 2012. The principal finding for consideration which arose from that Board evaluation was that the Nomination Committee should give further consideration during 2013 to the process of succession planning.

The Board Committees

The Board has formally constituted Audit, Remuneration and Nomination Committees. The terms of reference for these Committees fully incorporate the Code's provisions in relation to their roles and responsibilities and are available for inspection at the Company's registered office.

Audit Committee

Those serving as members of the Audit Committee in 2012 were J J Sykes (Committee Chairman), J E Brown and M I Gunston. Biographies of the members of the Committee are shown on page 38. The Committee, in having reviewed this Annual Report, considers that the report is fair, balanced and understandable. The report is clear and concise in its summary of performance in the financial year. All material matters of interest to shareholders and external stakeholders have been reported to provide the information required to assess the Group's performance, business model and strategy.

The Committee met twice during the year, with the Company's auditors in attendance for part of each meeting. The Committee's responsibilities include, amongst other matters, the following:

- to monitor the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance;
- to review and make recommendations to the Board in relation to the Half-yearly and Annual Reports;
- to review and consider the scope and effectiveness of the Company's financial controls, Company internal control and risk management systems;
- to consider the appointment/re-appointment of external auditors;
- to oversee the selection process with regard to external auditors and make appropriate recommendations through the Board to the shareholders to consider at the AGM;
- to review the annual management report of the auditors, the level of fees charged by the auditors for non-audit services, the independence and objectivity of the auditors and the proposed nature and scope of their work before the audit commences. Details of fees paid for non-audit services are set out in note 3 to the Financial Statements. The level of these fees and the services provided are reviewed by the Committee to ensure that they do not threaten auditor objectivity and independence. During the year, the Committee reviewed the independence and objectivity of the external auditors, which was confirmed in an independence letter containing information on procedures providing safeguards established by the external auditor. Regulation, professional requirements and ethical standards are taken into account, together with consideration of all relationships between the Company and the external auditors and their staff. Relations with the external auditors are managed through a series of meetings and regular discussions and we ensure a high quality audit by challenging the key areas of the external auditor's work;
- to consider annually whether there is a need for an internal audit function and make recommendations to the Board. However, from past experience, the use of this function has not resulted in added value to the business and this continues to be the view of the Audit Committee in its deliberations this year;
- to review the Company's procedures for handling allegations from 'whistleblowers'; and
- to review annually the Company's anti-bribery policy.

J J Sykes has recent relevant financial experience and he continues to be a partner in Saffery Champness, a firm of chartered accountants, and such experience satisfies the Code requirement.

Remuneration Committee

The Committee met three times in the year to review the Executive Directors' performance, levels of pay, bonuses, Long-Term Incentive Plan (LTIP) grants and awards and to consider other remuneration and employment matters as deemed appropriate from time to time. Those serving as members of the Remuneration Committee in 2012 were M I Gunston (Committee Chairman), J E Brown and J J Sykes. E J Boot attended in an advisory and supportive role for two of those meetings.

Details of the work of the Remuneration Committee and the policies and procedures adopted with regard to Directors' remuneration are set out in the Directors' Remuneration Report on page 46.

Directors' report continued

Corporate governance continued

Nomination Committee

As a requirement of the UK Corporate Governance Code, a Nomination Committee was formed in 2012 comprising J E Brown, Non-executive Chairman, M I Gunston, Non-executive senior independent Director, and J J Sykes, Non-independent Non-executive Director.

The Board recognises the importance of greater diversity (not just gender specific) in the boardroom and throughout the business. The Board aims to have a broad range of skills, backgrounds and experience whilst following a policy of ensuring we appoint the best people. Within this context and as part of the ongoing process of refreshing the Board, the Company will continue to encourage and welcome interest from candidates drawn from a diverse background, who will add to the Board's diversity.

In terms of the Company as a whole, we give a more detailed breakdown of the makeup of the Group's workforce within the Corporate Responsibility Report.

The principal responsibility of the Committee is to consider succession planning and appropriate appointments to the Board and to senior management, so as to maintain an appropriate balance of skills, knowledge and experience within the Company, and its duties include:

- overseeing the identification, selection and appointment of Directors;
- reviewing the structure, size, composition and leadership needs of the Board;
- considering other commitments of Directors relative to the time required for them to fulfil their duties; and
- periodic evaluation of the effectiveness of the Board.

The Committee has access to external professional advisers where required to fulfil its responsibilities.

Accountability and audit

Details of the Directors' responsibilities and the Directors' Responsibility Statement are contained on page 49. The Independent Auditors' Report is given on page 50.

The Directors' statement in respect of the business as a 'going concern' is provided in the Directors' Report on page 40.

Risk management and internal control

The Board operates and maintains a system of internal controls which is reviewed regularly for its effectiveness and which broadly accords with the Turnbull Committee guidance thereon. Whilst the system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Company's business objectives, it can only provide reasonable, not absolute, assurance against material misstatement or loss. The system is, and has been, an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. It has been in place for the period under review and up to the date of the approval of the Annual Report and Financial Statements.

The following key processes are considered by the Board to provide effective management of significant risks to the business:

- the business organisation and structured reporting framework – each of the Company's activities is monitored through bi-monthly management meetings and formal bi-monthly subsidiary company Board meetings. The latter are attended by the Board's Executive Directors and chaired by E J Boot. Formal lines of responsibility and levels of authority are in place within each subsidiary company. Annual plans, budgets (with two out-post years) and performance criteria for each business are set by the Executive Directors and performance against these targets is reviewed monthly by the Board. Annual profit forecasts and 15 month cash flow forecasts are produced on a monthly basis. The Board monitors the risks and associated controls over financial reporting processes, including the consolidation process. The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. Operations on the ground are also monitored frequently by way of visits to sites, depots, properties and regional offices by the Executive Directors; and
- centralised operations – specific risks and compliance issues associated with health and safety, treasury and banking operations, company secretarial, pensions, legal, human resources and training, public and investor relations, information communication technology and insurance are managed centrally and report functionally to the appropriate Executive Director responsible for that particular operation.

Each operation reviews its own system of internal controls and reports twice a year to the Audit Committee:

- business procurement – development appraisals, land purchases, options and construction contracts above a certain value require the authority of the Executive Directors to proceed. A strict routine covering the authorisation of capital expenditure is in place and Board approval is required for any corporate acquisition or disposal; and
- day-to-day operations – responsibility for running the day-to-day operations and for reviewing the associated systems of control is devolved to each subsidiary company Managing Director. Policy and procedure manuals cover major areas of their operations, including safety, purchasing, estimating, marketing, production and quality. The subsidiary company Managing Directors review and report to the Audit Committee on the effectiveness of the systems of internal controls in place and any matters of concern are raised at Board meetings.

Whistleblowing arrangements

The Company has operated a 'whistleblowing' arrangement throughout the year whereby all employees of the Group are able, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors and any breaches of the Company's Anti-Bribery and Corruption Policy.

Anti-Bribery and Corruption Policy

The Company values its long-standing reputation for ethical behaviour and integrity. Conducting its business with a zero tolerance approach to all forms of corruption is central to these values, the Group's image and reputation. The Company policy sets out the standards expected of all Group employees in relation to anti-bribery and corruption and the Board has overall responsibility for ensuring this policy complies with the Group's legal and ethical obligations and that everyone in our organisation complies with it.

This policy is also relevant for third parties who perform services for or on behalf of the Group. The Group expects those persons to adhere to this policy or have in place equivalent policies and procedures to combat bribery and corruption.

Relations with shareholders

The Company is active in communicating with its thousand or so private and institutional shareholders and likewise receives feedback from them. It is this close relationship with shareholders that is seen as one of the particular strengths and characteristics of the Company. During the year a number of formal presentations were made by members of the Board to institutional shareholders. Feedback from

Major shareholder notifications

Excluding Directors, at 25 March 2013, being a date not more than one month prior to the date of the Notice of the AGM, the information in the table below had been disclosed to the Company in accordance with the requirements of Chapter 5 of the Disclosure Rules and Transparency Rules.

	Voting rights over ordinary shares	
	Number	% of issued
Rysaffe Nominees and J J Sykes (joint holding)	22,057,155	16.82
FMR Corp*	12,979,170	9.90
Schroders plc	6,578,546	5.02
The Fulmer Charitable Trust	5,739,580	4.38

* Notified as indirect voting rights.

Rysaffe Nominees and J J Sykes are joint registered holders on behalf of various Reis family trusts, whose holdings are also included under the non-beneficial interests of J J Sykes.

visits to institutional shareholders is provided to the Board by our stockbrokers. Our website is used to aid a two-way communication process with both present and potential investors and includes all London Stock Exchange announcements, presentations to analysts and press releases over the last twelve months and links to the websites of our four principal operating subsidiaries. The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2012 proxies were received representing 74.82% of the number of shares in issue and is a demonstration of shareholders' active involvement in the affairs of the Company. Further information for shareholders is available under Shareholder information on pages 86 to 87.

Repurchase of shares

Subject to the provisions of the Companies Acts and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

Amendment to the Articles of Association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Appointment and replacement of Directors

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three nor more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for re-appointment. The Board may appoint one or more Directors to hold any office or employment under the Company for such period (subject to the Companies Acts) and on such terms as it may decide and may revoke or terminate any such appointment. At each AGM any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM one-third of the Directors who are subject to retirement by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office. In addition, there shall also be required to retire by rotation any Director who at any AGM of the Company shall have been a Director at each of the preceding two AGMs of the Company, provided that he was not appointed or re-appointed at either such AGM and he has not otherwise ceased to be a Director and been re-appointed by general meeting of the Company at or since either such AGM.

The Company may, by ordinary resolution of which special notice has been given in accordance with the Companies Acts, remove any Director before his period of office has expired notwithstanding anything in the Articles or in any agreement between him and the Company. A Director may also be removed from office by the service on him of a notice to that effect signed by or on behalf of all the other Directors, being not less than three in number. The office of a Director shall be vacated if:

(i) he is prohibited by law from being a Director;

(ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iii) he is or may be suffering from a mental disorder as referred to in the Articles;

(iv) for more than six months he is absent, without special leave of absence from the Board, from meetings of the Board held during that period and the Board resolves that his office be vacated; or

(v) he serves on the Company notice of his wish to resign.

Compliance statement

The Company has complied with the vast majority of the provisions of the June 2010 edition of the UK Corporate Governance Code, applicable to all Premium listed companies. The following provisions are those where the Company is not strictly in compliance with the code:

A.4.2, B.6.3

The performance of the Chairman is appraised by the Executive Directors as is the performance of the other Non-executive Directors. As Henry Boot PLC is a smaller listed company, it is felt that this is the most appropriate approach.

D.2.2, D.2.3

The Chairman and the two Non-executive Directors are members of the Remuneration Committee, their remuneration is set by the Executive Directors. As Henry Boot PLC is a smaller listed company, it is felt that this is the most appropriate approach.

J T Sutcliffe
Company Secretary
19 April 2013

Directors' remuneration report

The Directors present the Directors' Remuneration Report for the year ended 31 December 2012. A resolution to approve the Report will be proposed at the Company's AGM (Resolution 10). The auditors are required to report to the shareholders on the audited section of the Report and to state whether in their opinion it has been prepared in accordance with the Companies Act 2006. The Report therefore has separate sections containing unaudited and audited information.

Unaudited section

Remuneration Committee

The remuneration of the Executive Directors is fixed by the Remuneration Committee which during 2012 comprised the three Non-executive Directors, namely M I Gunston (Committee Chairman), J E Brown and J J Sykes, with the Group Managing Director, E J Boot, in attendance at the Committee's invitation.

The Executive Directors, E J Boot and J T Sutcliffe, determine the remuneration of the Non-executive Directors.

To assist the Directors in determining the appropriate policy and levels of remuneration, reference is made, in addition to comparing policies with peer companies, to a variety of published sources.

Remuneration policy

The Company's policy on Directors' remuneration is to ensure that the Directors are competitively rewarded on a basis that is comparable with similar companies, taking into account the need to attract, motivate and retain Directors of an appropriate calibre to achieve the Company's objectives, without making excessive payments. When setting the pay of Directors, the pay and employment conditions of employees across the Group are taken into account by the Remuneration Committee. As with employees, Directors are rewarded based on their role, their performance and the market rate for the job. Directors' basic salaries and benefits, where applicable, are reviewed annually, taking into account individual performance, the recommendations of the Group Managing Director and published remuneration information. Benefits include the provision of a company car or a cash allowance alternative, permanent health insurance and private medical insurance. The value of benefits is not pensionable and is set out for each Director in the table of Directors' remuneration.

Non-executive Directors are remunerated on the basis of their anticipated time commitment and the responsibilities entailed in their role. There are no service agreements in place for the Non-executive Directors and they do not participate in any of the Company's incentive arrangements. Any newly appointed Non-executive Director is expected to serve an initial period of at least three years. Terms and conditions of appointment relating to Non-executive Directors are available for inspection at the registered office of the Company.

E J Boot and J T Sutcliffe each have a one year rolling service agreement. Termination of these arrangements would therefore be subject to their contractual terms and conditions which require a notice period of twelve months. Contractual compensation in the event of early termination of either contract provides for compensation of basic salary for the notice period.

The Executive Directors participate in an annual bonus scheme. This is calculated by reference to pre-tax profits achieved in the year, compared with budget, and as recommended by the Remuneration Committee. The annual bonus payable to all Executive Directors is not pensionable.

The Henry Boot PLC 2010 Sharesave Plan was approved by shareholders and is subject to HMRC rules. A grant of options was made on 26 October 2011 at an exercise price of 106p, a 10% discount to the prevailing market price. There were no performance criteria attached to the exercise of these options which are capable of exercise for a six month period three years from the date of grant. Both Executive Directors participate in this plan.

During the year the Executive Directors participated in the Company's long-term incentive plan, details of which are set out in the table opposite. The principle of a long-term incentive plan for senior executives is one that the Remuneration Committee and the Company believes readily aligns the interests of Executive Directors and shareholders, whilst providing the motivation and incentive for the Directors to perform at the highest levels.

Under the provisions of the Henry Boot PLC 2006 Long-Term Incentive Plan, participants may receive a provisional allocation of shares up to 120% of basic salary calculated by reference to the share price at that time. This limit can only be exceeded in exceptional circumstances at the discretion of the Remuneration Committee. Awards under the Plan, which usually vest in three years, are subject to three performance conditions over that three year period. These are the per annum increase in net asset value per share compared to an industry standard investment property annual index, the increase in profitability compared to the Retail Prices Index and Total Shareholder Return (TSR) compared to the median of a comparator group of the FTSE Small Cap Index. These targets ensure that the actual awards at the vesting date are aligned closely with the factors that drive shareholder return.

E J Boot is a pensioner member of The Henry Boot Staff Pension and Life Assurance Scheme, a defined benefit pension scheme. J T Sutcliffe is an active member of The Henry Boot Group Stakeholder Pension Scheme, a defined contribution scheme. The Stakeholder scheme provides a lump sum death in service benefit, a refund of contributions on death in service and, on death after retirement, a pension for dependants subject to what the policyholder decides. The notional leaving work age is currently 65.

Five year TSR performance

The line graph below shows the cumulative TSR over the last five years for a holding of shares in the Company compared with the performance of the FTSE Small Cap Index. This comparator index has been chosen as the most appropriate index as the Company is included as a constituent of this index.

Audited section

Directors' remuneration

The emoluments of the Directors, excluding pension contributions, are shown below:

	Salary £'000	Salary in lieu of pension £'000	Bonus £'000	Taxable benefits £'000	**2012 Total £'000**	2011 Total £'000
J E Brown (Chairman)	50	—	—	—	**50**	42
E J Boot	338	66	241	29	**674**	672
J T Sutcliffe	230	—	165	23	**418**	432
M I Gunston (Non-executive)	35	—	—	—	**35**	34
J J Sykes (Non-executive)	35	—	—	—	**35**	25
J S Reis (Chairman) (retired 27 May 2011)	—	—	—	—	**—**	15
	688	66	406	52	**1,212**	1,220

Before its award, J T Sutcliffe sacrificed part of his cash bonus entitlement. A pension contribution equal to the amount given up was made into a pension plan for the benefit of his dependants. The amount in the bonus column reflects the full bonus earned.

Long-term incentive plan awards

Performance shares

	Plan	Date of award	Market price at date of award	At 1 January 2012	Awarded during the year	Vested during the year	Lapsed during the year	**At 31 December 2012**	Earliest/ actual vesting date	Market valuation on vesting
E J Boot	2006	05/05/2009	72.5p	335,637	—	135,000	200,637	**—**	28/08/2012	126.125p
	2006	04/05/2010	96.5p	336,785	—	—	—	**336,785**	03/06/2013	—
	2006	21/04/2011	121.5p	272,840	—	—	—	**272,840**	21/05/2014	—
	2006	01/05/2012	137.0p	—	246,392	—	—	**246,392**	31/05/2015	—
J T Sutcliffe	2006	05/05/2009	72.5p	229,086	—	91,640	137,446	**—**	28/08/2012	126.125p
	2006	04/05/2010	96.5p	229,480	—	—	—	**229,480**	03/06/2013	—
	2006	21/04/2011	121.5p	185,908	—	—	—	**185,908**	21/05/2014	—
	2006	01/05/2012	137.0p	—	168,172	—	—	**168,172**	31/05/2015	—

The number of shares at 1 January 2012 are the awards achievable under the long-term incentive plans' maximum performance conditions.

For the award made on 5 May 2009 neither the profitability nor the net asset value per share targets were achieved. However, in view of the overall Total Shareholder Return performance of 120.2%, in the vesting period, the Remuneration Committee exercised its discretion to vest 40% of the award.

Details of performance conditions applicable to the 2006 Plan can be found on page 46.

There have been no variations to the terms and conditions or performance criteria for the long-term incentive plans during the financial year.

Savings related share options

Details of options held by Directors under the Henry Boot PLC 2010 Sharesave Plan are shown below:

		Number of options							
	Scheme/ plan	At 1 January 2012	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2012**	Exercise price	Date from which exercisable	Expiry date
E J Boot	2010	8,490	—	—	—	**8,490**	106.0p	01/12/2014	31/05/2015
J T Sutcliffe	2010	8,490	—	—	—	**8,490**	106.0p	01/12/2014	31/05/2015

Details of the schemes are set out in note 30 of the Financial Statements.

There have been no variations to the terms and conditions for share options during the financial year. Options granted under the 2010 Sharesave Plan were not subject to performance criteria.

The market price of ordinary shares at 31 December 2012 was 135.0p and the range during the year was 115.5p to 145.0p.

Directors' remuneration report continued

Audited section continued

Directors' pension information

1. Defined benefit pension scheme

	Transfer value at 1 January 2012 £'000[1][4]	**Transfer value at 31 December 2012 £'000[1][4]**	Decrease in transfer value £'000	Decrease in transfer value less member contributions over year £'000	Changes in accrued benefit in relation to inflation £'000[2]	Transfer value of the change in accrued benefit in relation to inflation £'000[2]	**Accumulated benefit accrued 2012 £'000[3]**	Accumulated benefit accrued 2011 £'000
E J Boot	5,874	**5,419**	(455)	(455)	—	—	**182**	221

The transfer value has been calculated on the basis of actuarial advice in accordance with regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996.

1. E J Boot's transfer values as at 1 January 2012 and 31 December 2012 are based on a capped final pensionable salary of £331,002.
2. No further pension has been accrued by E J Boot following his withdrawal from the scheme in April 2011.
3. E J Boot began drawing benefits from the scheme on 19 November 2012 and the accumulated benefit as at 31 December 2012 is the annual pension he now receives. In addition, E J Boot received a lump sum of £544,000 (paid on 8 January 2013) in exchange for a proportion of his benefits from the scheme.
4. Benefits and contributions relating to additional voluntary contributions are not included in the above table.

2. Defined contribution pension scheme

J T Sutcliffe is a member of the defined contribution pension scheme. Contributions paid by the Company in the year were £46,079 (2011: £45,176).

On behalf of the Board

J T Sutcliffe
Company Secretary
19 April 2013

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the disclosure and transparency rules

Each of the Directors, whose names and functions are listed on page 38, confirms that, to the best of each person's knowledge:

- the Group Financial Statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

E J Boot
Director
19 April 2013

J T Sutcliffe
Director
19 April 2013

Independent auditors' report
to the members of Henry Boot PLC

We have audited the Financial Statements of Henry Boot PLC for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows, the Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 49, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This Report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the Accounting Policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- 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 2012 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Opinion 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; and
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 40, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Ian Morrison (Senior Statutory Auditor)
For and on behalf of Pricewaterhousecoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
19 April 2013

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Revenue	1	**103,147**	114,583
Cost of sales		**(75,607)**	(78,783)
Gross profit		**27,540**	35,800
Other income	1	**28**	25
Administrative expenses		**(13,286)**	(13,420)
Pension expenses	4	**(1,956)**	(1,657)
		12,326	20,748
Increase/(decrease) in fair value of investment properties	13	**1,346**	(4,275)
Profit on sale of investment properties		**1,032**	19
(Loss)/profit on sale of assets held for sale		**(11)**	390
Operating profit	3	**14,693**	16,882
Finance income	5	**633**	795
Finance costs	6	**(1,415)**	(1,595)
Share of (loss)/profit of joint ventures	15	**(8)**	30
Profit before tax		**13,903**	16,112
Tax	7	**(2,452)**	(5,323)
Profit for the year from continuing operations		**11,451**	10,789
Other comprehensive income:			
Revaluation of Group occupied property		**(35)**	—
Deferred tax on property revaluations	17	**102**	60
Actuarial loss on defined benefit pension scheme	27	**(10,687)**	(9,902)
Deferred tax on actuarial loss	17	**2,079**	2,155
Movement in fair value of cash flow hedge	25	**169**	184
Deferred tax on cash flow hedge	17	**(51)**	(54)
Other comprehensive expense for the year		**(8,423)**	(7,557)
Total comprehensive income for the year		**3,028**	3,232
Profit for the year attributable to:			
Owners of the Parent Company		**9,533**	8,934
Non-controlling interests		**1,918**	1,855
		11,451	10,789
Total comprehensive income attributable to:			
Owners of the Parent Company		**1,064**	1,327
Non-controlling interests		**1,964**	1,905
		3,028	3,232
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**7.3p**	6.9p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**7.2p**	6.8p

Statements of financial position

at 31 December 2012

	Note	Group 2012 £'000	Group 2011 £'000	Parent Company 2012 £'000	Parent Company 2011 £'000
ASSETS					
Non-current assets					
Intangible assets	11	**9,152**	10,417	**—**	—
Property, plant and equipment	12	**16,562**	15,622	**81**	133
Investment properties	13	**140,375**	138,198	**—**	—
Investments	14	**—**	—	**3,021**	3,021
Investment in joint ventures	15	**22**	30	**—**	—
Trade and other receivables	16	**11,538**	15,838	**—**	—
Deferred tax assets	17	**8,904**	7,364	**7,519**	6,008
		186,553	187,469	**10,621**	9,162
Current assets					
Inventories	18	**81,560**	62,115	**—**	—
Trade and other receivables	16	**37,268**	37,617	**179,290**	161,815
Current tax assets		**—**	—	**745**	—
Cash and cash equivalents		**3,418**	4,246	**351**	166
Assets classified as held for sale	20	**1,900**	909	**—**	—
		124,146	104,887	**180,386**	161,981
LIABILITIES					
Current liabilities					
Trade and other payables	21	**51,786**	50,242	**82,562**	78,697
Current tax liabilities		**438**	1,957	**—**	406
Borrowings	24	**19,223**	1,422	**18,942**	—
Provisions	26	**9,384**	8,973	**—**	—
		80,831	62,594	**101,504**	79,103
NET CURRENT ASSETS		**43,315**	42,293	**78,882**	82,878
Non-current liabilities					
Trade and other payables	21	**2,244**	2,462	**—**	—
Borrowings	24	**6,137**	5,083	**—**	—
Retirement benefit obligations	27	**30,533**	22,649	**30,533**	22,649
Provisions	26	**9,051**	13,531	**—**	—
		47,965	43,725	**30,533**	22,649
NET ASSETS		**181,903**	186,037	**58,970**	69,391
EQUITY					
Share capital	30	**13,510**	13,510	**13,510**	13,510
Property revaluation reserve	31	**3,271**	3,354	**—**	—
Retained earnings	31	**160,692**	165,093	**41,153**	51,731
Other reserves	31	**3,497**	3,425	**4,751**	4,751
Cost of shares held by ESOP trust	32	**(444)**	(601)	**(444)**	(601)
Equity attributable to owners of the Parent Company		**180,526**	184,781	**58,970**	69,391
Non-controlling interests		**1,377**	1,256	**—**	—
Total equity		**181,903**	186,037	**58,970**	69,391

The financial statements of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 19 April 2013.

On behalf of the Board

E J Boot
Director

J T Sutcliffe
Director

Statements of changes in equity
at 31 December 2012

Group	Note	Attributable to owners of the Parent Company: Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2011		13,424	3,294	168,528	2,774	(476)	187,544	1,097	188,641
Profit for the period		—	—	8,934	—	—	8,934	1,855	10,789
Other comprehensive income/(expense)		—	60	(7,747)	80	—	(7,607)	50	(7,557)
Total comprehensive income		—	60	1,187	80	—	1,327	1,905	3,232
Equity dividends	10	—	—	(4,941)	—	—	(4,941)	(1,746)	(6,687)
Proceeds from shares issued	31	86	—	—	571	—	657	—	657
Purchase of treasury shares	32	—	—	—	—	(360)	(360)	—	(360)
Share-based payments	31, 32	—	—	319	—	235	554	—	554
		86	—	(4,622)	571	(125)	(4,090)	(1,746)	(5,836)
At 31 December 2011		13,510	3,354	165,093	3,425	(601)	184,781	1,256	186,037
Profit for the period		—	—	9,533	—	—	9,533	1,918	11,451
Other comprehensive (expense)/income		—	67	(8,608)	72	—	(8,469)	46	(8,423)
Total comprehensive (expense)/income		—	67	925	72	—	1,064	1,964	3,028
Equity dividends	10	—	—	(5,760)	—	—	(5,760)	(1,843)	(7,603)
Proceeds on disposal of treasury shares	32	—	—	—	—	16	16	—	16
Purchase of treasury shares	32	—	—	—	—	(79)	(79)	—	(79)
Transfer to retained earnings		—	(150)	150	—	—	—	—	—
Share-based payments	31, 32	—	—	284	—	220	504	—	504
		—	(150)	(5,326)	—	157	(5,319)	(1,843)	(7,162)
At 31 December 2012		**13,510**	**3,271**	**160,692**	**3,497**	**(444)**	**180,526**	**1,377**	**181,903**

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 2011		13,424	63,776	4,180	—	81,380
Profit for the period	8	—	452	—	—	452
Other comprehensive expense		—	(7,747)	—	—	(7,747)
Total comprehensive expense		—	(7,295)	—	—	(7,295)
Equity dividends	10	—	(4,941)	—	—	(4,941)
Proceeds from shares issued	30, 31	86	—	571	—	657
Purchase of treasury shares		—	—	—	(836)	(836)
Share-based payments	31	—	191	—	235	426
		86	(4,750)	571	(601)	(4,694)
At 31 December 2011		13,510	51,731	4,751	(601)	69,391
Profit for the period	8	—	3,642	—	—	3,642
Other comprehensive expense		—	(8,608)	—	—	(8,608)
Total comprehensive expense		—	(4,966)	—	—	(4,966)
Equity dividends	10	—	(5,760)	—	—	(5,760)
Proceeds on disposal of treasury shares	32	—	—	—	16	16
Purchase of treasury shares	32	—	—	—	(79)	(79)
Share-based payments	31	—	148	—	220	368
		—	(5,612)	—	157	(5,455)
At 31 December 2012		**13,510**	**41,153**	**4,751**	**(444)**	**58,970**

Statements of cash flows

for the year ended 31 December 2012

	Note	Group 2012 £'000	Group 2011 £'000	Parent Company 2012 £'000	Parent Company 2011 £'000
Cash flows from operating activities					
Operating profit/(loss)		**14,693**	16,882	**(1,503)**	(9,509)
Adjustments for non-cash items:					
Amortisation of PFI asset	11	**1,131**	1,126	**–**	–
Goodwill impairment	11	**203**	204	**–**	–
Depreciation of property, plant and equipment	12	**2,996**	2,994	**70**	90
Impairment losses on land and buildings	12	**75**	–	**–**	–
Revaluation (increase)/decrease in investment properties	13	**(1,346)**	4,275	**–**	–
Amortisation of capitalised letting fees		**37**	20	**–**	–
Share-based payment expense		**504**	554	**368**	426
Pension scheme credit		**(2,803)**	(3,474)	**(2,803)**	(3,474)
Provision against investments in subsidiaries		**–**	–	**–**	2,201
Movements on provision against loans to subsidiaries		**–**	–	**(1,495)**	5,309
Loss/(gain) on disposal of assets held for sale		**11**	(390)	**–**	–
Gain on disposal of property, plant and equipment	3	**(333)**	(342)	**(10)**	–
Gain on disposal of investment properties		**(1,032)**	(19)	**–**	–
Operating cash flows before movements in working capital		**14,136**	21,830	**(5,373)**	(4,957)
Increase in inventories		**(19,376)**	(3,797)	**–**	–
Decrease/(increase) in receivables		**7,520**	(15,004)	**(13,744)**	7,958
(Decrease)/increase in payables		**(2,973)**	948	**708**	4,452
Cash generated from operations		**(693)**	3,977	**(18,409)**	7,453
Interest paid		**(1,135)**	(1,518)	**(3,474)**	(3,709)
Tax paid		**(3,381)**	(3,539)	**(1,601)**	(1,806)
Net cash flows from operating activities		**(5,209)**	(1,080)	**(23,484)**	1,938
Cash flows from investing activities					
Purchase of intangible assets	11	**(69)**	(40)	**–**	–
Purchase of property, plant and equipment	12	**(4,506)**	(3,601)	**(28)**	(50)
Purchase of investment property	13	**(10,429)**	(8,900)	**–**	–
Proceeds on disposal of property, plant and equipment		**620**	561	**20**	9
Proceeds on disposal of investment properties		**6,579**	321	**–**	–
Proceeds on disposal of assets held for sale		**964**	28,140	**–**	–
Interest received		**33**	124	**7,803**	6,934
Dividends received from subsidiaries		**–**	–	**2,755**	5,000
Net cash flows from investing activities		**(6,808)**	16,605	**10,550**	11,893
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	30	**–**	657	**–**	657
Purchase of treasury shares	32	**(79)**	(360)	**(79)**	(360)
Proceeds on disposal of treasury shares	32	**16**	–	**16**	–
Decrease in borrowings		**(11,222)**	(9,678)	**(10,000)**	(10,000)
Increase in borrowings		**30,077**	752	**28,000**	–
Dividends paid – ordinary shares	10	**(5,739)**	(4,920)	**(5,739)**	(4,920)
– non-controlling interests		**(1,843)**	(1,746)	**–**	–
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**11,189**	(15,316)	**12,177**	(14,644)
Net (decrease)/increase in cash and cash equivalents		**(828)**	209	**(757)**	(813)
Net cash and cash equivalents at beginning of year		**4,246**	4,037	**166**	979
Net cash and cash equivalents at end of year		**3,418**	4,246	**(591)**	166
Analysis of net (debt)/funds:					
Cash and cash equivalents		**3,418**	4,246	**351**	166
Bank overdrafts		**–**	–	**(942)**	–
Net cash and cash equivalents		**3,418**	4,246	**(591)**	166
Bank loans	24	**(22,331)**	(5,553)	**(18,000)**	–
Related party loans	24	**(200)**	(200)	**–**	–
Government loans	24	**(2,829)**	(752)	**–**	–
Net (debt)/funds		**(21,942)**	(2,259)	**(18,591)**	166

Principal accounting policies

The principal Accounting Policies adopted in the preparation of the Group's IFRS 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, United Kingdom S11 9PD.

Basis of preparation and statement of compliance

The Consolidated Financial Statements have been prepared in accordance with IFRS adopted by the EU, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and therefore comply with Article 4 of the EU IAS regulations. 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.

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. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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 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

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Directors' Report on page 40.

Investments in associates

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. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses are recognised in the Consolidated Statement of Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. 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.

Joint ventures

Joint ventures are all entities in which the Group has shared control with another entity, established by contractual agreement. Jointly controlled entities are accounted for using the equity method from the date that the jointly controlled entity commences until the date that the joint control of the entity ceases. 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. The accounting policies of the joint ventures 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 an asset or liability are accounted for in accordance with IAS 39.

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.

Principal accounting policies continued

Business combinations and goodwill continued

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 Statement of Financial Position date or when there has been an indication that the goodwill should be impaired, any loss is recognised immediately through the 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.

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 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Revenue from the sale of land and properties is recognised at the point of legal completion and where title has passed.

Revenue from the Group's PFI concession is recognised by the calculation of 'shadow tolls' which are based on vehicle usage of the A69 for the period of account.

Revenue from operating leases is recognised on a straight line basis over the lease term, except for contingent rental income which is recognised when it arises. 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.

Revenue from the hire of plant and equipment is measured as the fair value of sales proceeds from such which relate to the period of account.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the Statement of Financial Position date and profit is that estimated to fairly reflect the profit arising up to that date.

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 of a contract is an in-house survey of the work performed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue includes an assessment of the amounts agreed in the contract, plus or less any variations in contract work and claims to the extent that they are approved and can be measured reliably. The Group therefore assesses the revenue recognised on a contract by contract basis.

Variations and claims are changes to the original contractual obligations, which may be valued by contractual rates or agreed rates, or changes to contract conditions, loss and expense, prolongation, disruption or additional prelims. They are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Our judgement on these matters is based on past experience, external valuers, external influences (weather, for example), trends, risk profile and nature of the contract, competency of consultants and legal constraints.

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 and development and trading activities;
- land development, inclusive of land management, development and trading activities; and
- construction, inclusive of its PFI company, plant hire and regeneration 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 other mainly 'not for profit' activities.

Investment property
Investment properties, which are properties held to earn rental income and for capital appreciation, are stated at fair value at the Statement of Financial Position date.

On completion, investment property is carried at fair value, based on market values. Other than houses, property is then valued annually by independent valuers. Houses are held at Directors' valuation. Any surplus or deficit arising from these valuations is included in the Statement of Comprehensive Income. When an existing investment property is redeveloped for continued future use as an investment property, it remains an investment property whilst in development.

Investment properties under construction
Investment properties under construction are held at fair value unless a fair value cannot be reliably determined in which case it is accounted for at cost. Valuation movements on investment properties under construction are reflected in the Statement of Comprehensive Income.

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 transferred to the revaluation reserve. 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 the Statement of Comprehensive Income.

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

Plant and 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:

- plant and machinery – between 25% and 50%
- motor vehicles – between 20% and 25%
- office equipment – 25%

Intangible assets excluding goodwill
Intangible assets are stated at cost less accumulated amortisation and impairment. The PFI asset 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 13 years to run.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and rentals are charged wholly to the Statement of Comprehensive Income.

Assets held under finance leases are capitalised in the Statement of Financial Position and depreciated over their expected useful lives or the lease term, whichever is the shorter. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Statement of Comprehensive Income over the period of the lease.

Where the Group acts as a lessor in the case of operating leases, rental income is recognised on a straight line basis over the term of the relevant lease after adjustment for any rent free periods or other incentives.

Where the Group acts as a lessee in the case of operating leases, rentals payable are recognised on a straight line basis over the term of the relevant lease.

Inventories
Inventories are stated at the lower of cost and net realisable value which, in the case of land held for development, is deemed to be the estimated existing use value where satisfactory planning permission has not yet been obtained.

The cost of options to purchase land and planning promotion agreements are carried at the lower of cost or estimated net realisable value and are subject to regular impairment reviews.

Developments in progress comprise all the direct costs incurred in bringing the individual schemes to their present state at the Statement of Financial Position date less the value of any impairment losses.

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 Statement of Financial Position 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 interest cost, less the expected return on assets, 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.

Principal accounting policies continued

Share-based payments

Equity-settled share-based payments to employees 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 in to 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.

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 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 substantially enacted by the Statement of Financial Position 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 Statement of Financial Position 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.

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. Deferred tax is charged or credited in the 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.

Dividends

Dividends are only recognised as a liability in the actual period in which they are declared.

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.

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 which are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost using the effective interest rate method (see Interest income and expense on page 59). Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Should an amount previously written off prove recoverable the amount written off is reversed through the Statement of Comprehensive Income to the extent that the amount written back does not exceed the amortised cost had the write off not been recognised;
- 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 59);
- borrowings: see page 59; and
- derivatives: see page 59.

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 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 until the drawdown occurs. To the extent 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.

Derivatives and hedging

Derivative financial instruments such as interest rate swaps are occasionally entered into in order to manage interest rate risks arising from long-term debt. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of cash flow hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where such derivative transactions are executed, gains and losses on the fair value of such arrangements are taken either to reserves or to the Statement of Comprehensive Income dependent upon the nature of the instrument.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

When a derivative is held as an economic hedge for a period beyond twelve months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if: 1) a reliable allocation can be made; and 2) it is applied to all designated and effective hedging instruments.

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 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 Statement of Financial Position 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.

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.

Interest income and expense

Interest income and expense are recognised within 'Finance income' and 'Finance costs' in the 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.

Government grants

Government grants are recognised at their fair value in the 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 are then 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.

Principal accounting policies continued

Judgements and key assumptions

The critical judgements in applying the Group's Accounting Policies and that have the most significant effect on the amounts recognised in the Financial Statements, apart from those involving estimations (see below), relate to revenue recognition, construction contracts and inventories. All of these are referred to on pages 56 and 57 and each is interpreted by management in the light of IAS 18 'Revenue', IAS 11 'Construction Contracts' and IAS 2 'Inventories'.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, and that could have a material adjustment to the carrying amounts of assets and liabilities over the ensuing year, are retirement benefit costs, fair value of investment properties and of Group occupied properties, provisions and the impairment review of land, option and agency costs carried forward in inventories. 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 mortality rates and bond yields. The fair value of completed investment property and of Group occupied property is determined by independent valuation experts using the yield method valuation technique. In most cases the fair values are determined based on recent market transactions with similar characteristics and location to those of the Company's assets. The fair value of investment property under construction has been determined using the residual method by the Directors of the Company. Amounts recognised in relation to provisions are determined based on assumptions about items such as the risk adjustment to cash flows or discount rates used, future changes in prices and estimates of costs. Impairment relating to land, option and agency costs is considered individually by management in the light of progress made in the planning process, feedback from local planning officers and other external factors that might be considered likely to influence the eventual outcome.

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 mandatory for the first time for the accounting period ended 31 December 2012:

		Effective from
IAS 1 (amended 2011)	'Presentation of Items of Other Comprehensive Income'	1 July 2012

The adoption of these standards and interpretations has not had a significant impact on the Group.

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
IFRIC 20 (issued 2011)	'Stripping Costs in the Production Phase of a Surface Mine'	1 January 2013
IAS 12 (amended 2010)	'Deferred Tax: Recovery of Underlying Assets'	1 January 2013
IAS 19 (amended 2011)	'Employee Benefits'	1 January 2013
IAS 27 (issued 2011)	'Separate Financial Statements'	1 January 2014
IAS 27 (issued 2012)	'Investment Entities'	1 January 2014*
IAS 28 (issued 2011)	'Investments in Associates and Joint Ventures'	1 January 2014
IAS 32 (amended 2011)	'Offsetting Financial Assets and Financial Liabilities'	1 January 2014
IFRS 1 (amended 2010)	'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'	1 January 2013
IFRS 1 (amended 2012)	'Government Loans'	1 January 2013
IFRS 7 (amended 2011)	'Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013
IFRS 9 (issued 2009) and subsequent amendments (issued 2011)	'Financial Instruments'	1 January 2015*
IFRS 10 (issued 2011)	'Consolidated Financial Statements'	1 January 2014
IFRS 10 (issued 2012)	'Transition Guidance'	1 January 2013*
IFRS 10 (issued 2012)	'Investment Entities'	1 January 2014*
IFRS 11 (issued 2011)	'Joint Arrangements'	1 January 2014
IFRS 11 (issued 2012)	'Transition Guidance'	1 January 2013*
IFRS 12 (issued 2011)	'Disclosures of Interests in Other Entities'	1 January 2014
IFRS 12 (issued 2012)	'Transition Guidance'	1 January 2013*
IFRS 12 (issued 2012)	'Investment Entities'	1 January 2014*
IFRS 13 (issued 2011)	'Fair Value Measurement'	1 January 2013

* Not yet endorsed by the EU.

A review of the impact of these standards, amendments and interpretations continues. With the exception of IAS 19 (amended 2011) the Directors do not believe that they will give rise to any significant financial impact.

The Directors believe that the adoption of IAS 19 (amended 2011) will result in an increase in the expected pension expense of approximately £1.3m which will be recognised in the Consolidated Statement of Comprehensive Income during 2013.

There are a number of minor amendments to other standards which are part of the International Accounting Standards Board's annual improvements project issued on 17 May 2012. The improvements comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2013. No material changes to Accounting Policies are expected as a result of these amendments.

In 2012, 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 2012

1. Revenue

Analysis of the Group's revenue is as follows:

Activity in the United Kingdom	2012 £'000	2011 £'000
Revenue from construction contracts	**63,489**	52,745
Property development	**2,649**	4,139
Land development	**9,061**	30,005
PFI concession income	**11,144**	11,155
Plant and equipment hire	**9,203**	9,291
Investment property rental income	**7,461**	7,093
Other rental income	**140**	155
	103,147	114,583
Other income	**28**	25
	103,175	114,608

Contingent rents recognised as income during the year amount to £226,000 (2011: £315,000).

Other income relates to payments received under a debt agreement with the Export Credit Guarantee Department arising from a long-completed contract that was not paid for at the time.

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 development; and Construction. Group overheads are not a reportable segment; however, information about them is considered by the Board in conjunction with the reportable segments.

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's Accounting Policies. The Group's Principal Accounting Policies are described on pages 55 to 60.

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.

	2012					
Revenue	Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	15,361	8,750	79,036	—	—	103,147
Inter-segment sales	299	—	951	552	(1,802)	—
Total revenue	15,660	8,750	79,987	552	(1,802)	103,147
Operating profit/(loss)	7,355	2,329	7,888	(2,892)	13	14,693
Finance income	1,334	742	1,355	10,558	(13,356)	633
Finance costs	(6,769)	(1,080)	(634)	(3,533)	10,601	(1,415)
Share of loss of joint ventures	(8)	—	—	—	—	(8)
Profit/(loss) before tax	1,912	1,991	8,609	4,133	(2,742)	13,903
Tax	2,284	(466)	(2,102)	(2,060)	(108)	(2,452)
Profit/(loss) for the year	4,196	1,525	6,507	2,073	(2,850)	11,451
Other information						
Capital additions	10,535	9	3,454	1,006	—	15,004
Depreciation	35	22	2,406	533	—	2,996
Impairment	75	—	203	—	—	278
Amortisation	37	—	1,131	—	—	1,168

Notes to the financial statements continued

for the year ended 31 December 2012

2. Segment information continued

Revenue	2011 Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	12,478	30,124	71,981	—	—	114,583
Inter-segment sales	310	—	363	446	(1,119)	—
Total revenue	12,788	30,124	72,344	446	(1,119)	114,583
Operating profit	272	11,017	7,339	(1,746)	—	16,882
Finance income	1,233	678	1,339	11,934	(14,389)	795
Finance costs	(6,219)	(636)	(698)	(3,431)	9,389	(1,595)
Share of profit of joint ventures	30	—	—	—	—	30
Profit/(loss) before tax	(4,684)	11,059	7,980	6,757	(5,000)	16,112
Tax	(1,705)	(2,996)	(2,086)	1,386	78	(5,323)
Profit/(loss) for the year	(6,389)	8,063	5,894	8,143	(4,922)	10,789
Other information						
Capital additions	8,927	17	2,535	1,062	—	12,541
Depreciation	51	51	2,426	466	—	2,994
Goodwill impairment	—	—	204	—	—	204
Amortisation	20	—	1,126	—	—	1,146

	2012 £'000	2011 £'000
Segment assets		
Property investment and development	**167,760**	159,452
Land development	**101,445**	93,899
Construction	**26,497**	25,503
Group overheads and other	**2,675**	1,892
	298,377	280,746
Unallocated assets		
Deferred tax assets	**8,904**	7,364
Cash and cash equivalents	**3,418**	4,246
Total assets	**310,699**	292,356
Segment liabilities		
Property investment and development	**4,331**	4,684
Land development	**23,808**	26,373
Construction	**42,354**	42,442
Group overheads and other	**1,972**	1,709
	72,465	75,208
Unallocated liabilities		
Current tax liabilities	**438**	1,957
Current borrowings	**19,223**	1,422
Non-current borrowings	**6,137**	5,083
Retirement benefit obligations	**30,533**	22,649
Total liabilities	**128,796**	106,319
Total net assets	**181,903**	186,037

3. Operating profit

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

	2012 £'000	2011 £'000
Depreciation of property, plant and equipment – owned assets	**2,996**	2,994
Impairment of goodwill included in administrative expenses	**203**	204
Amortisation of PFI asset included in cost of sales	**1,131**	1,126
Amortisation of capitalised letting fees	**37**	20
Impairment losses on land and buildings	**75**	—
Loss/(profit) on sale of assets held for sale	**11**	(390)
Impairment losses recognised on trade receivables	**122**	93
Property rentals under operating leases	**176**	151
(Increase)/decrease in fair value of investment property	**(1,346)**	4,275
Cost of inventories recognised as expense	**4,657**	19,393
Employee costs	**20,665**	20,936
Amounts payable to Deloitte LLP by Road Link (A69) Limited in respect of audit services	**8**	8
Profit on sale of property, plant and equipment	**(333)**	(342)

The remuneration paid to PricewaterhouseCoopers LLP, the Company's external auditors, was as follows:

	2012 £'000	2011 £'000
Fees payable for the audit of the Company's annual accounts and consolidated financial statements	**50**	44
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**114**	96
– tax services	**87**	75
– other services	**111**	36
Total fees	**362**	251

In addition, fees of £12,975 (2011: £12,592) were paid to Hawsons in their capacity as auditors of The Henry Boot Staff Pension and Life Assurance Scheme.

4. Employee costs

	2012 £'000	2011 £'000
Wages and salaries	**16,205**	16,569
Share-based payment expense	**504**	554
Social security costs	**1,842**	1,961
Defined benefit pension costs (see note 27)	**1,649**	1,416
Defined contribution pension costs (see note 27)	**236**	178
Other pension costs	**49**	63
	20,485	20,741

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

	2012 Number	2011 Number
Property investment and development	**30**	28
Land development	**29**	28
Construction	**219**	225
Plant hire	**110**	108
Group overheads	**50**	50
	438	439

Notes to the financial statements continued

for the year ended 31 December 2012

5. Finance income

	2012 £'000	2011 £'000
Interest on bank deposits	**17**	109
Interest on other loans and receivables	**34**	15
Fair value adjustments on trade receivables	**582**	671
	633	795

6. Finance costs

	2012 £'000	2011 £'000
Interest on bank loans and overdrafts	**1,126**	1,194
Interest on other loans and payables	**15**	19
Fair value adjustments on trade payables	**226**	353
Fair value adjustments on borrowings	**33**	3
Provisions: unwinding of discount (note 26)	**15**	26
	1,415	1,595

7. Tax

	2012 £'000	2011 £'000
Current tax:		
UK corporation tax on profits for the year	**2,079**	4,162
Adjustment in respect of earlier years	**(217)**	(267)
Total current tax	**1,862**	3,895
Deferred tax (note 17):		
Origination and reversal of temporary differences	**826**	1,321
Adjustment in respect of earlier years	**(236)**	107
Total deferred tax	**590**	1,428
Total tax	**2,452**	5,323

Corporation tax is calculated at 24.5% (2011: 26.5%) of the estimated assessable profit for the year.

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and planned to be effective from 1 April 2013, the relevant deferred tax balances have been re-measured. Deferred tax balances at the year end have been measured at 23%.

Further reductions to the UK tax rate were announced in the 2012 Autumn Statement and the March 2013 Budget. The changes propose to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the Statement of Financial Position date and, therefore, are not recognised in these Financial Statements. The impact of this change on the deferred tax position of the Group is not expected to be material.

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

	2012 £'000	2011 £'000
Profit before tax	**13,903**	16,112

	2012 %	2011 %
Tax at the UK corporation tax rate	**24.50**	26.50
Effects of:		
Permanent differences	**(1.77)**	7.59
Short-term timing differences	**(1.83)**	—
Adjustment in respect of earlier years	**(1.56)**	(1.66)
Joint venture results reported net of tax	**—**	(0.05)
Deferred tax adjustment in respect of earlier years	**(1.70)**	0.66
Effective tax rate	**17.64**	33.04

7. Tax continued

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

	2012 £'000	2011 £'000
Deferred tax:		
– property revaluations	**102**	60
– actuarial loss	**2,079**	2,155
– cash flow hedge	**(51)**	(54)
Total tax recognised in other comprehensive income	**2,130**	2,161

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, excluding dividends received from subsidiaries of £2,755,000 (2011: £5,000,000), is £887,433 (2011: loss £4,548,000).

9. Earnings per ordinary share

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

Earnings	2012 £'000	2011 £'000
Profit for the year	**11,451**	10,789
Non-controlling interests	**(1,918)**	(1,855)
Preference dividend	**(21)**	(21)
	9,512	8,913

Number of shares	2012	2011
Weighted average number of shares in issue	**131,096,122**	130,316,724
Less shares held by the ESOP on which dividends have been waived	**(546,364)**	(799,235)
Weighted average number for basic earnings per share	**130,549,758**	129,517,489
Adjustment for the effects of dilutive potential ordinary shares	**1,978,945**	2,331,189
Weighted average number for diluted earnings per share	**132,528,703**	131,848,678

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these Financial Statements.

10. Dividends

	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders in year:		
Preference dividend on cumulative preference shares	**21**	21
Second interim dividend for the year ended 31 December 2011 of Nil per share (2010: 2.15p)	**—**	2,779
Final dividend for the year ended 31 December 2011 of 2.60p per share (2010: Nil)	**3,388**	—
Interim dividend for the year ended 31 December 2012 of 1.80p per share (2011: 1.65p)	**2,351**	2,141
	5,760	4,941

The proposed final dividend for the year ended 31 December 2012 of 2.90p per share (2011: 2.60p) makes a total dividend for the year of 4.70p (2011: 4.25p).

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 £3,786,000.

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 except for a nominal amount.

Notes to the financial statements continued

for the year ended 31 December 2012

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2011	4,070	15,752	19,822
Additions at cost	—	40	40
At 31 December 2011	4,070	15,792	19,862
Additions at cost	—	69	69
At 31 December 2012	**4,070**	**15,861**	**19,931**
Accumulated impairment losses and amortisation			
At 1 January 2011	1,289	6,826	8,115
Amortisation	—	1,126	1,126
Impairment losses for the year	204	—	204
At 31 December 2011	1,493	7,952	9,445
Amortisation	—	1,131	1,131
Impairment losses for the year	203	—	203
At 31 December 2012	**1,696**	**9,083**	**10,779**
Carrying amount			
At 31 December 2012	**2,374**	**6,778**	**9,152**
At 31 December 2011	2,577	7,840	10,417
At 1 January 2011	2,781	8,926	11,707

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition represents the excess of consideration over net assets acquired and is subject to an impairment test at the Statement of Financial Position 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 the Highways Agency based on the number and type of vehicles using the road. The concession lasts for a period of 30 years and has a further 13 years to run, at the end of which the road reverts to the Highways Agency. Whilst the impairment test demonstrates significant headroom, an impairment charge of £203,000 has been recognised during the year to reflect the fact that the PFI concession will revert to the Highways Agency 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 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 the Highways Agency's financial year end and hence interim Financial Statements are prepared for incorporation into these consolidated Financial Statements.

Bank borrowings are secured on the PFI asset for the value of £2,906,000 (2011: £4,068,000); see note 24.

12. Property, plant and equipment

Group	Land and buildings £'000	Plant and vehicles £'000	Office equipment £'000	Total £'000
Cost or fair value				
At 1 January 2011	7,287	25,679	1,623	34,589
Additions at cost	—	3,405	196	3,601
Disposals	—	(2,361)	(76)	(2,437)
At 31 December 2011	7,287	26,723	1,743	35,753
Additions at cost	85	4,326	95	4,506
Disposals	—	(2,024)	(36)	(2,060)
Transfers to investment properties	(150)	(23)	—	(173)
Decrease in fair value in year	(35)	—	—	(35)
At 31 December 2012	**7,187**	**29,002**	**1,802**	**37,991**
Being:				
Cost	—	29,002	1,802	30,804
Fair value at 31 December 2012	7,187	—	—	7,187
	7,187	**29,002**	**1,802**	**37,991**
Accumulated depreciation and impairment				
At 1 January 2011	337	17,688	1,330	19,355
Charge for year	—	2,824	170	2,994
Eliminated on disposals	—	(2,142)	(76)	(2,218)
At 31 December 2011	337	18,370	1,424	20,131
Charge for year	—	2,849	147	2,996
Impairment loss	75	—	—	75
Eliminated on disposals	—	(1,739)	(34)	(1,773)
At 31 December 2012	**412**	**19,480**	**1,537**	**21,429**
Carrying amount				
At 31 December 2012	**6,775**	**9,522**	**265**	**16,562**
At 31 December 2011	6,950	8,353	319	15,622
At 1 January 2011	6,950	7,991	293	15,234

Land and buildings have been revalued at 31 December 2012 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 £6,775,000 (2011: £6,950,000).

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.

On the historical cost basis, the land and buildings would have been included at a carrying amount of £2,859,000 (2011: £2,849,000).

Notes to the financial statements continued

for the year ended 31 December 2012

12. Property, plant and equipment continued

Parent Company	Plant and vehicles £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2011	116	671	787
Additions	—	50	50
Disposals	(23)	(31)	(54)
At 31 December 2011	93	690	783
Additions	—	28	28
Disposals	(46)	(24)	(70)
At 31 December 2012	**47**	**694**	**741**
Depreciation			
At 1 January 2011	60	545	605
Charge for year	18	72	90
Disposals	(14)	(31)	(45)
At 31 December 2011	64	586	650
Charge for year	17	53	70
Disposals	(36)	(24)	(60)
At 31 December 2012	**45**	**615**	**660**
Carrying amount			
At 31 December 2012	**2**	**79**	**81**
At 31 December 2011	29	104	133
At 1 January 2011	56	126	182

13. Investment properties

	Completed investment property £'000	Investment property under construction £'000	Total £'000
Fair value			
At 1 January 2011	86,715	48,402	135,117
Direct acquisitions of investment property	2,369	—	2,369
Subsequent expenditure on investment property	1,133	5,185	6,318
Capitalised letting fees	116	97	213
Amortisation of capitalised letting fees	(20)	—	(20)
Disposals	(8)	(294)	(302)
Transfers to assets held for sale	(909)	—	(909)
Transfer to inventories	(313)	—	(313)
Decrease in fair value in year	(3,065)	(1,210)	(4,275)
At 31 December 2011	86,018	52,180	138,198
Subsequent expenditure on investment property	888	9,358	10,246
Capitalised letting fees	92	91	183
Amortisation of capitalised letting fees	(34)	(3)	(37)
Disposals	(514)	(4,980)	(5,494)
Transfers to assets held for sale	(1,900)	—	(1,900)
Transfer to inventories	(69)	—	(69)
Transfers from property, plant and equipment	173	—	173
Transfers within investment property	10,576	(10,576)	—
Transfer to construction contracts	—	(2,271)	(2,271)
Increase in fair value in year	919	427	1,346
At 31 December 2012	**96,149**	**44,226**	**140,375**
Adjustment in respect of tenant incentives	4,685	4	4,689
Adjustment in respect of tax benefits	(724)	—	(724)
Market value at 31 December 2012	**100,110**	**44,230**	**144,340**

13. Investment properties continued

With the exception of houses, completed investment properties have been revalued at 31 December 2012 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 £95,795,000 (2011: £85,020,000). 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 fair value of houses at 31 December 2012 has been determined by the Directors of the Company at £4,315,000 (2011: £4,907,000). The fair value takes into account other observable prices in an active market.

Investment properties under construction are developments which have been valued at 31 December 2012 at fair value by the Directors of the Company using the residual method at £44,226,000 (2011: £52,186,000). The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £7,461,000 (2011: £7,093,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £1,048,000 (2011: £830,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £426,000 (2011: £331,000).

At 31 December 2012, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £3,472,000 (2011: £2,335,000).

14. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2011	60,757
Losses recognised	(34,985)
At 31 December 2011 and 2012	**25,772**
Fair value adjustments	
At 1 January 2011	(55,535)
Utilisation of provisions	34,985
Provisions for losses	(2,201)
At 31 December 2011 and 2012	**(22,751)**
Carrying amount	
At 31 December 2011 and 2012	**3,021**
At 1 January 2011	5,222

The original cost of shares has been reduced by provisions for losses where necessary and enhanced where the Directors have considered it appropriate to reflect in the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements were £1,115,000 in 1975 and £1,135,000 in 1989.

Amounts due from and to subsidiary companies are listed in notes 16 and 21. The principal active subsidiary companies are listed in note 35. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of:

- Road Link (A69) Holdings Limited which is 61.2% owned by Henry Boot Construction Limited;
- Stonebridge Projects Limited which is 50% owned by, and under board control of, Henry Boot Land Holdings Limited; and
- Stonebridge Projects (Park House) Limited which is indirectly 50% owned by, and under board control of, 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.

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15. Investment in joint ventures

Group	2012 £'000	2011 £'000
Cost		
At 1 January	**30**	—
Share of (loss)/profit for the year	**(8)**	30
At 31 December	**22**	30

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

	2012 £'000	2011 £'000
Assets	**355**	203
Liabilities	**(333)**	(173)
Net investment in joint ventures	**22**	30

	2012 £'000	2011 £'000
Revenue	**—**	400
Expenses	**(10)**	(366)
Profit before tax	**(10)**	34
Tax	**2**	(4)
Share of profits from joint ventures after tax	**(8)**	30

Details of the Group's significant investments in joint ventures are listed in note 35.

16. Trade and other receivables

	Group		Parent Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade receivables	**45,579**	51,102	**196**	106
Prepayments	**2,611**	2,055	**586**	172
Amounts owed by related companies	**616**	298	**—**	—
Amounts owed by Group undertakings	**—**	—	**178,508**	161,537
	48,806	53,455	**179,290**	161,815
Due within one year	**37,268**	37,617	**179,290**	161,815
Due after more than one year	**11,538**	15,838	**—**	—
	48,806	53,455	**179,290**	161,815

Included in the Group's trade receivable balance are receivables with a carrying amount of £1.4m (2011: £1.9m) which are past due at the reporting date and for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired trade receivables

	2012 £'000	2011 £'000
30–60 days	**2,236**	1,407
60–90 days	**279**	244
90–120 days	**98**	129
120+ days	**57**	74
	2,670	1,854

16. Trade and other receivables continued

Movement in the allowance for doubtful receivables

	2012 £'000	2011 £'000
At 1 January	179	182
Impairment losses recognised	121	93
Amounts written off as uncollectable	(59)	(21)
Amounts recovered during the year	(51)	(75)
At 31 December	190	179

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	2012 £'000	2011 £'000
0–30 days	3	4
30–60 days	18	3
60–90 days	12	4
90–120 days	25	2
120+ days	132	166
	190	179

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 unsecured and are stated net of provisions for irrecoverable amounts of £6,414,000 (2011: £8,036,000), of which £Nil (2011: £5,472,000) has been provided in the year and £1,622,000 (2011: £163,000) has been recovered in the year.

The Parent Company has no impaired trade receivables.

Credit risk

The Group's principal financial assets are bank balances and cash, 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 allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

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.

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17. 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:

Deferred tax asset

Group	Accelerated capital allowances £'000	Property revaluations £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 1 January 2011	86	1,661	4,380	504	6,631
Recognised in income	(67)	(456)	(873)	(32)	(1,428)
Recognised in other comprehensive income	—	60	2,155	(54)	2,161
At 31 December 2011	19	1,265	5,662	418	7,364
Recognised in income	129	(229)	(718)	228	(590)
Recognised in other comprehensive income	—	102	2,079	(51)	2,130
At 31 December 2012	**148**	**1,138**	**7,023**	**595**	**8,904**
Parent Company					
At 1 January 2011	27	—	4,380	319	4,726
Recognised in income	7	—	(873)	(7)	(873)
Recognised in other comprehensive income	—	—	2,155	—	2,155
At 31 December 2011	34	—	5,662	312	6,008
Recognised in income	(1)	—	(718)	151	(568)
Recognised in other comprehensive income	—	—	2,079	—	2,079
At 31 December 2012	**33**	**—**	**7,023**	**463**	**7,519**

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 £1,444,000 (2011: £1,740,000). 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.

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and planned to be effective from 1 April 2013, the relevant deferred tax balances have been re-measured. Deferred tax balances at the year end have been measured at 23%.

Further reductions to the UK tax rate were announced in the 2012 Autumn Statement and the March 2013 Budget. The changes propose to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the Statement of Financial Position date and, therefore, are not recognised in these Financial Statements. The impact of this change on the deferred tax position of the Group is not expected to be material.

18. Inventories

	2012 £'000	2011 £'000
Developments in progress	**5,708**	3,288
Land, options and agency agreements held for development	**75,852**	58,827
	81,560	62,115

Within developments in progress £39,000 (2011: £265,000) 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, options and agency agreements held for development £198,000 (2011: £287,000) has been written down and recognised as an expense in the year. These costs relate to land, options and agency agreements where planning permission for development has been refused or is deemed to be doubtful.

Previous provisions within land, options and agency agreements held for development amounting to £Nil (2011: £91,000) have been reversed and reduced the amount of inventories recognised as an expense in the year. The reversals relate to costs previously provided where planning permission for development was doubtful but where prospects have now significantly improved or actual planning consent has been granted.

19. Construction contracts

	2012 £'000	2011 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in trade receivables	**1,745**	1,358
Amounts due to contract customers included in trade payables	**(7,519)**	(7,654)
	(5,774)	(6,296)
Contract costs incurred plus recognised profits less recognised losses to date	**283,536**	304,738
Less: progress billings	**(289,310)**	(311,034)
	(5,774)	(6,296)

At 31 December 2012, retentions held by customers for contract work amounted to £1,040,000 (2011: £658,000). Advances received from customers for contract work amounted to £7,186,000 (2011: £7,654,000).

20. Assets classified as held for sale

Assets classified as held for sale are investment properties, within the property investment and development segment, which are ordinarily individually being actively marketed for sale with expected completion dates within one year. By exception, at the Statement of Financial Position date, assets classified as held for sale represent an element of a shopping centre at Beeston, Nottingham, subject to a compulsory purchase order by Nottingham City Council for an extension to the city's tram network.

Assets classified as held for sale comprise the following:

	Investment property £'000
Fair value	
At 1 January 2011	27,719
Additions	31
Transfer from investment property	909
Disposals	(27,750)
At 31 December 2011	909
Transfers from investment property	1,900
Disposals	(909)
At 31 December 2012	**1,900**
Adjustment in respect of tenant incentives	–
Adjustment in respect of tax benefits	–
Market value at 31 December 2012	**1,900**

Assets classified as held for sale have been valued at 31 December 2012 at fair value by the Directors of the Company at £1,900,000. The fair value is based on the midpoint of management's estimate of the likely outcomes of the compulsory purchase order.

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for the year ended 31 December 2012

21. Trade and other payables

	Group		Parent Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade payables	**47,829**	46,739	**1,169**	743
Social security and other taxes	**2,138**	2,701	**318**	344
Accrued expenses	**874**	1,044	**476**	605
Deferred income	**2,930**	1,798	**—**	—
Interest rate swap liability	**253**	422	**—**	—
Amounts owed to related parties	**6**	—	**—**	—
Amounts owed to Group undertakings	**—**	—	**80,599**	77,005
	54,030	52,704	**82,562**	78,697
Due within one year	**51,786**	50,242	**82,562**	78,697
Due after more than one year	**2,244**	2,462	**—**	—
	54,030	52,704	**82,562**	78,697

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

22. Government grants

Government grants have been received in relation to the infrastructure of one of the Company's developments. Grant income received is included within deferred income and released to the 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 Statement of Comprehensive Income during the year were £80,000 (2011: £745,000).

23. Capital risk management

The Company'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 2012 this was £21.9m (2011: £2.3m). Equity comprises all components of equity and at 31 December 2012 this was £181.9m (2011: £186.0m).

During 2012 the Group's strategy, which was unchanged from previous years, was to maintain the debt to equity ratio below 50%. This level was chosen to ensure that we can access debt relatively easily and inexpensively if required.

The Group has in place three year committed facilities totalling £50m with our three banking partners. In February 2012, the Group concluded negotiations with the three banking partners to renew the existing £50m facility we had in place at 31 December 2011. The renewed facilities commenced on 7 May 2012, with a renewal date of 7 May 2015. The renewed facilities, on improved terms, maintain covenants on the same basis as the previous facilities.

24. Borrowings

	Group 2012 £'000	Group 2011 £'000	Parent Company 2012 £'000	Parent Company 2011 £'000
Bank overdrafts	—	—	942	—
Bank loans	22,331	5,553	18,000	—
Government loans	2,829	752	—	—
Loans from related parties	200	200	—	—
	25,360	6,505	18,942	—
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	19,965	1,758	19,119	—
In the second year	2,933	1,579	—	—
In the third to fifth years inclusive	3,331	3,904	—	—
After five years	1,818	—	—	—
	28,047	7,241	19,119	—
Due within one year	19,965	1,758	19,119	—
Due after one year	8,082	5,483	—	—
	28,047	7,241	19,119	—

The weighted average interest rates paid were as follows:

	2012 %	2011 %
Bank overdrafts	3.26	3.91
Bank loans – floating rate	2.86	3.09
Bank loans – floating rate (relating to Road Link (A69) Limited)	2.00	1.92
Bank loans – floating rate (relating to Stonebridge Projects (Park House) Limited)	3.01	3.16
Government loans	—	—
Related party loans – floating rate (relating to Stonebridge Projects Limited)	5.00	5.00

Bank overdrafts are repayable on demand.

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
- maximise the Group's profitability.

Interest on floating rate borrowings is arranged for periods from three 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 Projects Limited and Stonebridge Projects (Park House) Limited.

The Road Link (A69) Limited bank loan is secured by a specific charge over the freehold and leasehold properties of that Company and fixed and floating charges over the assets of that Company and is without recourse to the rest of the Group. It is repayable in six-monthly instalments that commenced in the year ended 31 March 1999 and is repayable by 31 March 2015.

The Stonebridge Projects (Park House) 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. It is repayable in quarterly instalments of £15,000 that commenced on 21 November 2011 with full and final settlement becoming due on 19 August 2014.

Government loans were issued at a borrowing rate of nil%; as a result the Company has no exposure to interest rate changes in relation to these loans. These borrowings are therefore recognised at fair value, where the fair values are based on cash flows discounted using variable market rates. The Government loans were received to fund specific residential construction expenditure. Repayment of the loan commences three years after the quarter date of the construction completion of the first residential unit. Subsequent repayments will follow each quarter until the principle is repaid in full. The repayments are calculated at £8,000 per residential unit and are linked to the Land Registry House Price Index.

A related party loan from Stonebridge Homes Limited of £200,000, relating to Stonebridge Projects Limited, is arranged at an interest rate of 5%. The interest rate is not fixed and may change subject to agreement. The loan is repayable on demand.

The bank loan of £2,906,000, relating to Road Link (A69) Limited, is arranged at an effective floating interest rate of LIBOR plus 0.8%. The loan is fully hedged (see note 25), giving rise to an effective fixed interest rate of 7.37%. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Based on approximate average borrowings during 2012, a 1% change in interest rates would affect profitability before tax by £125,000.

The fair value of the Group's borrowings is not considered to be materially different from the carrying amounts, other than as disclosed in note 25.

At 31 December 2012, the Group had available £31,425,000 (2011: £50,000,000) undrawn committed borrowing facilities.

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25. Derivative financial instruments

Interest rate swap – cash flow hedge

At 31 December 2012, an interest rate swap transaction was in place covering a bank loan of £2,906,000 (2011: £4,068,000) whereby the Group's subsidiary, Road Link (A69) Limited, pays a fixed rate of interest of 6.57% and receives a variable rate based on LIBOR. Interest is payable or receivable, as appropriate, semi-annually. The swap is used to hedge the exposure to the variable interest rate payments on the variable rate secured loan of the subsidiary (note 24).

The loan and interest rate swap have the same critical terms, are fully effective and have a termination date of 31 March 2015.

The fair value of the interest rate swap arrangement at 31 December 2012 was a liability of £253,000 (2011: £422,000), included in 'Trade and other payables', giving rise to a hedge reserve deducted from other reserves.

Fair value measurements recognised in the Statement of Financial Position

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

	2012 £'000	2011 £'000
Derivative financial liabilities:		
Level 1	**—**	—
Level 2	**253**	422
Level 3	**—**	—
Total fair value	**253**	422

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.

26. Provisions

	Land development £'000	Road maintenance £'000	Other £'000	Total £'000
At 1 January 2012				
Included in current liabilities	8,048	925	—	8,973
Included in non-current liabilities	13,486	—	45	13,531
	21,534	925	45	22,504
Additional provisions in year	712	701	—	1,413
Unwinding of discount	15	—	—	15
Utilisation of provisions	(4,994)	(497)	—	(5,491)
Non-utilisation of provisions	—	—	(6)	(6)
At 31 December 2012	**17,267**	**1,129**	**39**	**18,435**
Included in current liabilities	8,241	1,129	14	9,384
Included in non-current liabilities	9,026	—	25	9,051
	17,267	**1,129**	**39**	**18,435**

The land development provision represents management's best estimate of the Group's liability to provide infrastructure and services over the next eleven years to land that has been disposed of during the current and prior periods.

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.

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, are taken into account in the Financial Statements.

27. Retirement benefit obligations

Defined contribution pension scheme

The Group operates a defined contribution pension scheme for all qualifying employees. The scheme is administered and managed by Aviva and the Group matches member contributions, providing a minimum of 3% 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 £236,000 (2011: £178,000) represents contributions payable to the scheme by the Group.

Defined benefit pension scheme

The Group operates a defined benefit pension scheme ('the scheme') for eligible employees which is funded to provide for future pension liabilities, including anticipated increases in earnings and pensions. The assets of the scheme are held in a fund independently administered by Trustees. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent triennial valuation was carried out as at 1 January 2010. The results of that valuation have been projected to 31 December 2012 and then recalculated based on the following assumptions:

	2012 %	2011 %
Retail Prices Index (RPI)	**2.75**	2.75
Consumer Prices Index (CPI)	**2.00**	2.00
Pensionable salary increases	**1.00**	1.00
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.75**	2.75
Revaluation of deferred pensions	**2.00**	2.00
Liabilities discount rate	**4.45**	5.00
Expected rate of return on scheme assets	**5.50**	5.33

The overall expected rate of return is determined as follows:

- the assumption for return on equities of 7.00% is based upon gilt yields of 3.75% (commonly adopted as a 'risk-free rate') prevailing at the measurement date plus an equity risk premium of 3.25%;
- the assumption for return on bonds represents the expected return on the current portfolio of gilts and corporate bonds as at the measurement date;
- the assumption for return on cash is the bank base rate applicable at the measurement date and represents the expected returns on the scheme's cash holdings; and
- the assumption for return on property is the rate of return on index linked bonds plus 1.00% and represents the expected returns on the scheme's investment in long lease property.

Mortality assumptions	2012 Years	2011 Years
Retiring today (aged 65)		
Male	**21.5**	21.4
Female	**24.3**	24.2
Retiring in 20 years (currently aged 45)		
Male	**23.4**	23.3
Female	**26.1**	26.0

The mortality assumptions are consistent with the assumptions used in the most recent triennial valuation. These are the Self Administered Pension Schemes (SAPS) with allowance for future improvements in line with medium cohort subject to an underpin of 1% per annum.

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

	Change in assumption	Impact on scheme liabilities
Retail Prices Index (RPI)	Increase by 0.25%	Increase by 3.7%
Rate of general increases in salaries	Increase by 0.25%	Nil*
Liabilities discount rate	Decrease by 0.25%	Increase by 4.9%
Rate of mortality	Increase by 1 year	Increase by 2.0%

* 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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27. Retirement benefit obligations continued

Defined benefit pension scheme continued

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

	2012 £'000	2011 £'000
Current service cost	(907)	(905)
Interest on obligation	(6,972)	(6,875)
Expected return on scheme assets	6,316	6,563
Pension Protection Fund	(86)	(199)
Pension expenses	(1,649)	(1,416)

Actuarial losses have been reported in other comprehensive income of £10,687,000 (2011: £9,902,000).

The cumulative amount of actuarial losses recognised in other comprehensive income since the date of transition to IFRS is £12,676,000 (2011: £1,989,000).

The actual gain on scheme assets was £9,403,000 (2011: £7,229,000).

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

	2012 £'000	2011 £'000
Present value of scheme obligations	157,233	142,322
Fair value of scheme assets	(126,700)	(119,673)
	30,533	22,649

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

	2012 £'000	2011 £'000
Non-current liabilities	30,533	22,649

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

	2012 £'000	2011 £'000
At 1 January	142,322	129,668
Current service cost	907	905
Interest on obligation	6,972	6,875
Contributions from scheme members	301	339
Actuarial loss	13,774	10,568
Benefits paid	(7,043)	(6,033)
At 31 December	157,233	142,322

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

	2012 £'000	2011 £'000
At 1 January	119,673	113,447
Expected return on scheme assets	6,316	6,563
Actuarial gain on scheme assets	3,087	666
Employer contributions	4,366	4,691
Contributions from scheme members	301	339
Benefits paid	(7,043)	(6,033)
At 31 December	126,700	119,673

27. Retirement benefit obligations continued

Defined benefit pension scheme continued

The analysis of the scheme assets and the expected rate of return at 31 December 2012 was as follows:

	Rate of return		Market value	
	2012 %	2011 %	**2012 £'000**	2011 £'000
Equities	**7.00**	7.00	**68,710**	62,339
Property	**3.70**	—	**9,835**	—
Bonds	**3.75**	3.75	**47,910**	53,058
Cash	**0.50**	0.50	**245**	4,276
			126,700	119,673

Included in equities are 2,250,000 (2011: 2,250,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £3,037,500 (2011: £2,767,500).

The history of experience adjustments is as follows:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit obligations	**157,233**	142,322	129,668	137,830	125,851
Fair value of scheme assets	**(126,700)**	(119,673)	(113,447)	(112,098)	(103,215)
Deficit in the scheme	**30,533**	22,649	16,221	25,732	22,636
Experience adjustments on scheme liabilities	**—**	—	6,666	—	—
Percentage of scheme liabilities	**—**	—	5%	—	—
Experience adjustments on scheme assets	**(3,087)**	(666)	(3,100)	(6,620)	24,144
Percentage of scheme assets	**(2%)**	(1%)	(3%)	(6%)	23%

The current estimated amount of total contributions expected to be paid to the scheme by the Group, inclusive of contributions payable by the Company, during the 2013 financial year is £4,790,000, being £4,784,000 payable by the Group and £6,000 payable by scheme members. The reduction in scheme member contributions arises from a salary sacrifice scheme introduced on 1 January 2013 and results in an equal increase in contributions payable by the Company.

As part of the Recovery Plan for the scheme as a result of the 31 December 2009 triennial valuation, the Company agreed to contribute a further £175,200 per annum for a period of ten years beginning in 2011. In addition to this the Company has increased the level of Recovery Plan funding to the scheme from £650,000 to £3,600,000 per annum which will be reviewed at the next triennial valuation.

28. Operating leases

The Group as lessee

	2012 £'000	2011 £'000
Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the year	**176**	151

At 31 December 2012, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 £'000	2011 £'000
Within one year	**80**	124
In the second to fifth years inclusive	**89**	98
After five years	**—**	—
	169	222

Operating lease payments represent rentals payable by the Group for certain of its office properties. The rents payable are subject to renegotiation at various intervals specified in the leases.

Notes to the financial statements continued

for the year ended 31 December 2012

28. Operating leases continued

The Group as lessor

The Group has entered into commercial leases on its investment property portfolio which typically have lease terms between one and 25 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Ordinarily the lessee does not have an option to purchase the property at the expiry of the lease period and some leases contain options to break before the end of the lease term.

Future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December are as follows:

	2012 £'000	2011 £'000
Within one year	7,015	6,845
In the second to fifth years inclusive	26,342	24,646
After five years	63,188	58,346
	96,545	89,837

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	2012 £'000	2011 £'000
Management charges receivable	1,140	1,596
Interest receivable	7,799	6,833
Interest payable	(2,653)	(2,557)
Rents payable	(150)	(157)
Recharge of expenses	158	132

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

Purchases of goods and services	2012 £'000	2011 £'000
Close family members of key management personnel (amounts paid for IT services)	37	38
Related companies of key management personnel (amounts paid for Non-executive Director services)	35	25

Related party transactions are charged at prevailing market prices. Amounts owing by related parties (note 16) or to related parties (notes 21 and 24) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the Directors, who are key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 47 and 48.

	2012 £'000	2011 £'000
Salaries and other short-term employee benefits	1,468	1,345
Post-employment benefits	46	59
Share-based payments	286	354
	1,800	1,758

30. Share capital

	Allotted, issued and fully paid	
	2012 £'000	2011 £'000
400,000 5.25% cumulative preference shares of £1 each	**400**	400
131,096,122 ordinary shares of 10p each (2011: 131,096,122)	**13,110**	13,110
	13,510	13,510

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.

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, be present or vote at any general meeting of the Company.

Share-based payments

The Company operates the following share-based payment arrangements:

(A) The Henry Boot PLC 2000 Sharesave Scheme
This savings related share option scheme was approved by shareholders in 2000 and is HMRC approved. A grant of options was made on 22 October 2008 at an exercise price of 77.0p, a discount of 10% of the prevailing market price. These became exercisable for a six month period from 1 December 2011. 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.

	Options outstanding at 31 December 2011	Options lapsed	Options exercised	**Options outstanding at 31 December 2012**
October 2008 grant	27,926	(7,979)	(19,947)	**–**

The weighted average share price at the date of exercise for share options exercised during the period was 134.0p (2011: 117.0p).

(B) The Henry Boot PLC 2010 Sharesave Plan
This savings related share option plan was approved by shareholders in 2010 in order to replace the Henry Boot PLC 2000 Sharesave Scheme after reaching its ten year expiry date. It is HMRC approved. A grant of options to participating employees was made on 26 October 2011 at a price of 106.0p at a discount of just over 10% of the prevailing market price. These become exercisable for a six month period from 1 December 2014. 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.

	Options outstanding at 31 December 2011	Options lapsed	Options exercised	**Options outstanding at 31 December 2012**
October 2011 grant	877,377	(37,128)	(226)	**840,023**

The weighted average share price at the date of exercise for share options exercised during the period was 119.0p.

(C) The 1996 Henry Boot PLC Long-Term Incentive Plan
This plan was approved by shareholders in 1996 and operated for ten years.

(D) The Henry Boot 2006 Long-Term Incentive Plan
This plan was approved by shareholders at an EGM held on 20 July 2006. Details of the Plan and the vesting requirements are also set out in the Directors' Remuneration Report on page 46.

Notes to the financial statements continued

for the year ended 31 December 2012

30. Share capital continued

Share-based payments continued

(E) 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. There were no performance conditions imposed on this particular grant.

	Options outstanding at 31 December 2011	Options lapsed	Options exercised	**Options outstanding at 31 December 2012**
May 2011 grant	272,000	(32,000)	—	**240,000**

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

	2012 Number	2011 Number
Share options granted at 1 January	**2,003,285**	2,105,950
Lapses of share options in year	**(370,083)**	(403,753)
Awards of shares in year	**(292,698)**	(516,500)
Share options granted in year	**414,564**	817,588
Share options granted at 31 December	**1,755,068**	2,003,285

The weighted average share price at the date of exercise for share options exercised during the period was 130.55p (2011: 142.75p).

Fair value

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

	LTIP	CSOP	Sharesave 2008	Sharesave 2011
Weighted average exercise price	Nil	121.5p	77.0p	106.0p
Weighted average share price	117.2p	121.5p	57.5p	115.5p
Expected volatility	31.73% to 42.72%	41.47%	33.20%	37.14%
Expected life	3 years	3 years	3 years	3 years
Risk-free rate	0.61% to 1.79%	1.67%	3.52%	0.86%
Expected dividend yield	3.30% to 5.02%	5.02%	2.61%	5.02%

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 61.4p (2011: 35.2p).

Expense recognised in the Statement of Comprehensive Income

	2012 £'000	2011 £'000
The total expense recognised in the Statement of Comprehensive Income arising from share-based payment transactions	**504**	554

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

31. Reserves

Group	Property revaluation £'000	Retained earnings £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Hedging £'000	Total other £'000
At 1 January 2011	3,294	168,528	271	2,563	209	(269)	2,774
Profit for the year	—	8,934	—	—	—	—	—
Dividends paid	—	(4,941)	—	—	—	—	—
Premium arising from shares issued	—	—	—	571	—	—	571
Movements in fair value of cash flow hedge	—	—	—	—	—	113	113
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	(33)	(33)
Deferred tax on revaluation surplus	60	—	—	—	—	—	—
Arising on employee share schemes	—	319	—	—	—	—	—
Unrecognised actuarial loss	—	(9,902)	—	—	—	—	—
Deferred tax on actuarial loss	—	2,155	—	—	—	—	—
At 31 December 2011	3,354	165,093	271	3,134	209	(189)	3,425
Profit for the year	—	9,533	—	—	—	—	—
Dividends paid	—	(5,760)	—	—	—	—	—
Movements in fair value of cash flow hedge	—	—	—	—	—	103	103
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	(31)	(31)
Decrease in fair value in year	(35)	—	—	—	—	—	—
Deferred tax on revaluation surplus	102	—	—	—	—	—	—
Transfer to retained earnings	(150)	150	—	—	—	—	—
Arising on employee share schemes	—	284	—	—	—	—	—
Unrecognised actuarial loss	—	(10,687)	—	—	—	—	—
Deferred tax on actuarial loss	—	2,079	—	—	—	—	—
At 31 December 2012	**3,271**	**160,692**	**271**	**3,134**	**209**	**(117)**	**3,497**

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Investment revaluation £'000	Total other £'000
At 1 January 2011	63,776	271	2,563	211	1,135	4,180
Profit for the year	452	—	—	—	—	—
Dividends paid	(4,941)	—	—	—	—	—
Premium arising from shares issued	—	—	571	—	—	571
Unrecognised actuarial loss	(9,902)	—	—	—	—	—
Deferred tax on actuarial loss	2,155	—	—	—	—	—
Arising on employee share schemes	191	—	—	—	—	—
At 31 December 2011	51,731	271	3,134	211	1,135	4,751
Profit for the year	3,642	—	—	—	—	—
Dividends paid	(5,760)	—	—	—	—	—
Unrecognised actuarial loss	(10,687)	—	—	—	—	—
Deferred tax on actuarial loss	2,079	—	—	—	—	—
Arising on employee share schemes	148	—	—	—	—	—
At 31 December 2012	**41,153**	**271**	**3,134**	**211**	**1,135**	**4,751**

32. Cost of shares held by the ESOP trust

Group	2012 £'000	2011 £'000
At 1 January	**601**	476
Additions	**79**	360
Disposals	**(236)**	(235)
At 31 December	**444**	601

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.

At 31 December 2012, the Trustee held 546,364 shares (2011: 799,235 shares) with a cost of £444,397 (2011: £601,261) and a market value of £737,537 (2011: £983,059). All of these shares were committed to satisfy existing grants by the Company under the 2006 Henry Boot PLC Long-Term Share Incentive Plan, the Henry Boot PLC 2010 Sharesave Scheme and the Henry Boot PLC 2010 Company Share Option Plan. In accordance with IAS 32, these shares are deducted from shareholders' funds. Under the terms of the Trust, the Trustee has waived all but a nominal dividend on the shares it holds.

Notes to the financial statements continued

for the year ended 31 December 2012

33. Guarantees and contingencies

The Parent Company has guaranteed the performance of certain contracts entered into by Group undertakings in the ordinary course of business.

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. Guarantees relating to bonds are impracticable to quantify. In the opinion of the Directors, no loss is expected to arise in connection with these matters.

34. Business combinations

On 5 May 2012, the Group acquired 100% of the issued share capital of Comstock (Kilmarnock) Limited, a company incorporated in the United Kingdom on 7 June 1996. The principal activity of Comstock (Kilmarnock) Limited is the development and sale of land. Comstock (Kilmarnock) Limited was acquired due to its ownership of strategic land located in Kilmarnock adjacent to one of the Group's existing land developments.

The total consideration paid for Comstock (Kilmarnock) Limited was £2,000,000 being £1,250,000 in cash and £875,000 deferred consideration payable on 4 May 2013.

Further contingent consideration may be payable based upon the attainment of certain levels of profitability on future sales of this land. Given the inherent uncertainty regarding future land values, management do not consider it possible to estimate a range of outcomes for the value of this consideration. Accordingly, for the purposes of accounting for the business combination the fair value of the contingent consideration is considered to be £nil.

At the acquisition date the Group recognised £2,000,000 in Inventories being the fair value of total identifiable assets acquired. There were no liabilities incurred or assumed.

35. Additional information – principal active subsidiaries and joint venture partners

Details of the Company's principal active subsidiaries and joint ventures, all of which are incorporated in England and are consolidated in the Group Financial Statements at 31 December 2012, are as follows:

Subsidiary name	Proportion of ownership	Activity
Banner Plant Limited	100%	Plant hire
First National Housing Trust Limited	100%	Property investment
Hallam Land Management Limited	100%	Land development
Henry Boot Construction Limited	100%	Construction
Henry Boot Developments Limited	100%	Property investment and development
Henry Boot Estates Limited	100%	Property investment
Henry Boot 'K' Limited	100%	Property investment and development
Henry Boot Projects Limited	100%	Property investment and development
Henry Boot Tamworth Limited	100%	Property investment and development
Henry Boot Whittington Limited	100%	Property investment
Road Link (A69) Limited	61.2%	PFI road maintenance
Stonebridge Projects Limited	50%	Property development
Stonebridge Projects (Park House) Limited	50%	Property investment and development
Winter Ground Limited	100%	Property investment and development

Joint venture partner	Proportion of ownership	Activity
Pennine Property Partnership LLP	50%	Property investment and development
I-Prop Developments Limited	50%	Property development

Details of all of the Company's subsidiaries and joint ventures can be obtained from the Company Secretary at the registered office address which can be found on page 55.

Property valuers' report

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THE DIRECTORS
Henry Boot PLC
Banner Cross Hall
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S11 9PD

31 December 2012

Dear Sirs,

HENRY BOOT PLC
Group property portfolio valuation – 31 December 2012
In accordance with your written instructions, we have valued the various freehold and leasehold properties held by Henry Boot PLC and its subsidiary companies, for accounts purposes, as at 31 December 2012. The valuations have been made in accordance with RICS Valuation – Professional Standards (March 2012) issued by the Royal Institution of Chartered Surveyors, in our capacity as External Valuers, on the basis of Market Value. No allowances have been made for expenses of realisation or for taxation that might arise in the event of a disposal and our valuations are expressed as exclusive of any Value Added Tax that may become chargeable. Each property has been considered as if free and clear of all mortgages or other charges which may have been secured thereon. Where appropriate, the properties have been valued subject to and with the benefit of any lettings which have been disclosed.

Having regarding the foregoing we are of the opinion that the aggregate market value of the freehold and leasehold interests owned by Henry Boot PLC and its subsidiaries, as at 31 December 2012, is:

Freehold properties	£98,445,000
Leasehold properties	£3,900,000
Mixed tenure properties	£225,000
Total	**£102,570,000**

In accordance with our normal practice, we confirm that our valuations have been prepared for the Directors of Henry Boot PLC and for the purpose to which this certificate refers.

No responsibility is accepted to any third party in respect of the information or advice contained herein, except in circumstances where our prior written approval has been granted.

Yours faithfully

SIMON CULLIMORE MRICS
DIRECTOR
FOR AND ON BEHALF OF JONES LANG LASALLE LIMITED

Jones Lang LaSalle Limited
Registered in England and Wales Number 1188567
Registered Office 22 Hanover Square London W1A 2NB

Shareholder information

Additional information for shareholders

Following the implementation of the EU Takeover Directive in the UK, the following description provides the required relevant information for shareholders where not already provided elsewhere in these Financial Statements. This description summarises certain provisions of the current Articles of Association of the Company (as adopted by special resolution on 27 May 2011) ('the Articles') and applicable English law concerning companies (the Companies Act 2006). This is a summary only and the relevant provisions of the Companies Act 2006 or the Articles should be consulted if further information is required.

Share capital

The Company's issued share capital comprises two classes of shares being, respectively, ordinary shares of 10p each ('ordinary shares') and cumulative preference shares of £1 each ('preference shares'). Further details of the share capital of the Company are set out in note 30 to the Financial Statements. As at 25 March 2013, the ordinary shares represent 97.04% of the total issued share capital of the Company by nominal value and the preference shares represent 2.96% of such total issued share capital. The ordinary shares and the preference shares are in registered form. Both classes of share are admitted to the Official List of the UK Listing Authority. The Company's ordinary shares are categorised as 'Premium Listed' and its preference shares as 'Standard Listed'. A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing requires compliance with additional requirements set out in the Listing Rules of the UK Listing Authority.

Rights and obligations attaching to shares

Subject to the Companies Act 2006 and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of Directors for the time being of the Company ('the Board') may decide. Subject to the Companies Act 2006, the Articles and any resolution of the Company, the Board may deal with any unissued shares as it may decide.

Rights of preference shares

The preference shares carry the following rights in priority to the ordinary shares but carry no further right to participate in profits or assets:

- the right to receive out of the profits of the Company a fixed cumulative preferential dividend at the rate of 5.25% per annum on the capital paid up thereon;
- the right on a return of assets on a winding up to payment of the capital paid up thereon together with a sum calculated at the rate of 6.00% per annum in respect of any period up to the commencement of the winding up for which such preferential dividend as referred to above has not been paid; and
- the right on a return of assets in a reduction of capital to repayment of the capital paid up thereon together with a sum equal to all arrears (if any) of such preferential dividend as referred to above.

The preference shares shall not confer on the holders of them any right to receive notice of or to be present or to vote at any general meeting (as defined in the Articles) unless either:

- a resolution is proposed directly affecting the rights or privileges of the holders of the preference shares as a separate class; or
- at the date of the notice convening the general meeting, the fixed cumulative preferential dividend provided in the Articles shall be in arrears for more than six months.

Voting

Under and subject to the provisions of the Articles and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every shareholder present in person shall have one vote and on a poll every shareholder who was present in person or by proxy shall have one vote for every share of which he is the holder. Under the Companies Act 2006, shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

Restrictions on voting

A shareholder shall not be entitled to vote at any general meeting or class meeting in respect of any shares held by him unless all calls and other sums presently payable by him in respect of that share have been paid. In addition, holders of default shares (as defined in the Articles) shall not be entitled to vote during the continuance of a default in providing the Company with information concerning interests in those shares required to be provided (following relevant notification) under the Companies Act 2006.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 23 May 2013 are set out in the Notice of AGM on pages 88 to 91 of this Annual Report and Financial Statements.

Dividends and distributions

The Company may, by ordinary resolution, declare a dividend to be paid to the shareholders but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends and also any fixed rate dividend whenever the financial position of the Company justifies its payment in the opinion of the Board. If the Board acts in good faith, none of the Directors shall incur any liability to the holders of shares with preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on other shares.

Additional information for shareholders continued

Winding up

Under the Articles, if the Company is in liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other authority required by law:

- divide among the shareholders in specie the whole or any part of the assets of the Company and, for that purpose, value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders; or
- vest the whole or any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator with the like sanction shall think fit.

Variation of rights

The Articles specify that the special rights attached to any class of shares may, either with the consent in writing of holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise), be modified or abrogated.

Transfer of shares

Under and subject to the restrictions in the Articles, any shareholder may transfer all or any of his shares in certificated form by transfer in writing in any usual form or in any other form which the Board may approve. The Board may, save in certain circumstances, refuse to register any transfer of a certificated share not fully paid up. The Board may also refuse to register any transfer of certificated shares unless it is:

- in respect of only one class of shares;
- in favour of no more than four transferees;
- duly stamped or exempt from stamp duty;
- delivered to the office or at such other place as the Board may decide for registration; and
- accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to show the right of the intending transferor to transfer the shares.

Powers of the Directors

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Articles and any ordinary resolution of the Company. The Articles specify that the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets and uncalled capital and to issue debentures and other securities, subject to the provisions of the Articles.

Takeovers and significant agreements

There are no significant agreements to which the Company is a party that take effect, alter or terminate on a change of control of the Company following a takeover bid with the exception of:

- the Company's share schemes and plans; and
- bank facilities whereby upon a 'Change of Control' the Lenders shall consult with Henry Boot PLC for a period not greater than 30 days (commencing on the date of the Change of Control) to determine whether and on what basis the Lenders are prepared to continue the Facility.

There are no persons with whom the Company has contractual or other arrangements who are deemed by the Directors to be essential to the business of the Company.

Information rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, rather than to the Company's registrar, Capita Registrars, or to the Company directly.

Notice of annual general meeting

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of Henry Boot PLC will be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 23 May 2013 at 12.30pm for the following purposes:

To consider and, if thought fit, pass the following resolutions, which will be proposed as to Resolutions 1, 2, 3, 4, 5, 6, 7 and 10 as ordinary resolutions of the Company and as to Resolutions 8 and 9 as special resolutions of the Company.

Resolution 1
To receive the Directors' and Auditors' Reports and the Financial Statements for the year ended 31 December 2012.

Resolution 2
To declare a final dividend of 2.90p per ordinary share.

Resolution 3
To re-appoint J E Brown as a Director, who retires by rotation.

Resolution 4
To re-appoint J T Sutcliffe as a Director, who retires by rotation.

Resolution 5
To re-appoint PricewaterhouseCoopers LLP as auditors of the Company.

Resolution 6
To authorise the Directors to fix the auditors' remuneration.

Resolution 7
THAT pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £4,369,870, provided that (unless previously revoked, varied or renewed) this authority shall expire on 22 August 2014 or at the conclusion of the next AGM of the Company, whichever is the earlier, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under Section 551 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Resolution 8
THAT subject to the passing of Resolution 7 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 7 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

   (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

   (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £655,000,

and (unless previously revoked, varied or renewed) this power shall expire on 22 August 2014 or at the conclusion of the next AGM of the Company, whichever is the earlier, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Section 570 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Notice of Annual General Meeting continued

Resolution 9

THAT pursuant to Section 701 of the Companies Act 2006, the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 10p each in the capital of the Company ('ordinary shares') provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 11,055,000;

(b) the minimum price (excluding expenses) which may be paid for an ordinary share is 10p;

(c) the maximum price (excluding expenses) which may be paid for an ordinary share is not more than the higher of:

  (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and

  (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out;

(d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 22 August 2014; and

(e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.

Resolution 10

THAT the Directors' Remuneration Report for the year ended 31 December 2012 as set out in the 2012 Annual Report and Financial Statements of the Company be and is hereby approved.

By order of the Board

J T Sutcliffe
Company Secretary
19 April 2013

Henry Boot PLC
Registered Office:
Banner Cross Hall
Ecclesall Road South
Sheffield
United Kingdom
S11 9PD
Registered in England No. 160996

Notice of annual general meeting continued

Notes

1. Only holders of ordinary shares in the Company are entitled to attend and vote at the AGM.
2. The holders of preference shares in the Company are not entitled to attend and vote at the AGM.
3. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00pm on 21 May 2013 (or, if the meeting is adjourned, 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.
4. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

   A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

   A proxy may only be appointed in accordance with the procedures set out in notes 5 to 7 below and the notes to the proxy form. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.
5. A form of proxy is enclosed with the notice issued to holders of ordinary shares. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by photocopying the proxy form. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.

   To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Capita Registrars, 34 Beckenham Road, Beckenham BR3 4TU, no later than 12.30pm on 21 May 2013 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
6. As an alternative to completing the hard copy proxy form, a shareholder may appoint a proxy or proxies electronically using the Share Portal service at www.capitashareportal.com. For an electronic proxy appointment to be valid, the appointment must be received by Capita Registrars no later than 12.30pm on 21 May 2013 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
7. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID:RA10) no later than 12.30pm on 21 May 2013 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

Notes continued

9. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Companies Act 2006 ('Nominated Person'):

   (a) the Nominated Person may have a right under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

   (b) if the Nominated Person has no such right or does not wish to exercise such right, he/she may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of shareholders in relation to the appointment of proxies in notes 4 to 7 above does not apply to a Nominated Person. The rights described in such notes can only be exercised by shareholders of the Company.

10. A shareholder or shareholders having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company (see note 15 below), or at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital, may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the meeting relating to either the audit of the Company's accounts (including the Auditors' Report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with auditors of the Company ceasing to hold office since the last AGM of the Company in accordance with Section 527 of the Companies Act 2006.

    Any such request must:

    (a) identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement that is being supported;

    (b) comply with the requirements set out in note 11 below; and

    (c) be received by the Company at least one week before the meeting.

    Where the Company is required to publish such a statement on its website:

    (i) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;

    (ii) it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and

    (iii) the statement may be dealt with as part of the business of the meeting.

11. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 10:

    (a) may be made either:

    (i) in hard copy, by sending it to the Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD; or

    (ii) in electronic form, by sending it by email to cosec@henryboot.co.uk. Please state 'Henry Boot PLC: AGM' in the subject line of the email;

    (b) must state the full name(s) and address(es) of the shareholder(s); and

    (c) where the request is made in hard copy form, it must be signed by the shareholder(s).

12. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Companies Act 2006. The Company must answer any such question unless:

    (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. The information required by Section 311A of the Companies Act 2006 to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at www.henryboot.co.uk.

14. Except as expressly provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:

    (a) telephone 0114 255 5444; or

    (b) email to cosec@henryboot.co.uk.

    No other methods of communication will be accepted.

15. The issued ordinary share capital of the Company as at 19 April 2013 was 131,096,122 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

Financial calendar

London Stock Exchange announcements

Preliminary Statement of Results 2012:
27 March 2013

First 2013 Interim Management Statement:
early May 2013

Half-yearly Results 2013:
end August 2013

Second 2013 Interim Management Statement:
mid November 2013

Trading Update 2013:
end January 2014

Annual Report and Financial Statements 2012 and Half-yearly Report 2013 posted to shareholders

Annual Report and Financial Statements 2012:
by 22 April 2013

Half-yearly Report 2013:
early September 2013

Annual General Meeting

23 May 2013

Dividends paid on ordinary shares

2012 Final:
31 May 2013

2013 Interim:
end October 2013

Advisers

Chartered Accountants and Statutory Auditors
PricewaterhouseCoopers LLP
1 East Parade
Sheffield S1 2ET

Bankers
Barclays Bank PLC
1 St Paul's Place
121 Norfolk Street
Sheffield S1 2JW

Lloyds TSB Bank plc
14 Church Street
Sheffield S1 1HP

The Royal Bank of Scotland plc
2 Whitehall Quay
Leeds LS1 4HR

Corporate Finance
KPMG Corporate Finance
1 The Embankment
Neville Street
Leeds LS1 4DW

Financial PR
Tooleystreet Communications Limited
Regency Court
68 Caroline Street
Birmingham B3 1UG

Registrars
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Solicitors
DLA Piper UK LLP
1 St Paul's Place
Sheffield S1 2JX

Stockbrokers
Investec Bank plc
2 Gresham Street
London EC2V 7QP

Front cover

Top (left to right)

Phil Horsfield, Trainee Technician, Henry Boot Construction Limited (5 years' service)
Vivienne Clements, Director, Henry Boot Developments Limited (16 years' service)
Martyn Sanderson, Accommodation Manager, Banner Plant Limited (33 years' service)

Bottom (left to right)

Sarah Wooller, Company Secretarial Administrator, Henry Boot PLC (29 years' service)
James Tomlinson, IT Support Manager, Henry Boot PLC (14 years' service)
Sally Jackson, Senior Planner, Henry Boot Construction Limited (5 years' service)

Inside front cover

Property

Caroline Hines, Marketing Co-ordinator, Henry Boot Developments Limited (9 years' service)

Land

Martin Lindley, Senior Architectural Technician, Hallam Land Management Limited (9 years' service)
Darren Lindley, Architectural Technician, Hallam Land Management Limited (7 years' service)

Construction

Richard Shepherd, Assistant Site Manager, Henry Boot Construction Limited (5 years' service)
Ken Jenkinson, Project Engineer, Henry Boot Construction Limited (23 years' service)

Plant

Steve Hynes, Senior Service Manager, Banner Plant Limited (33 years' service)

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The commitment of the Henry Boot Group to environmental issues is reflected in this Annual Report. The report has been printed on Splendorgel EW which is FSC® (Forest Stewardship Council) certified. It has been printed by a Carbon Neutral certified printer using their environmental print technology which minimises the impact of the printing on the environment. Vegetable-based inks have been used and 99% of dry waste is diverted from landfill.

Henry Boot

Further copies of the 2012 Annual Report and Financial Statements may be obtained from the Company Secretary.

Henry Boot PLC
Registered office:
Banner Cross Hall
Ecclesall Road South
Sheffield S11 9PD
United Kingdom

Registered in England No. 160996

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f: 0114 258 5548
e: cosec@henryboot.co.uk
www.henryboot.co.uk