Henry Boot

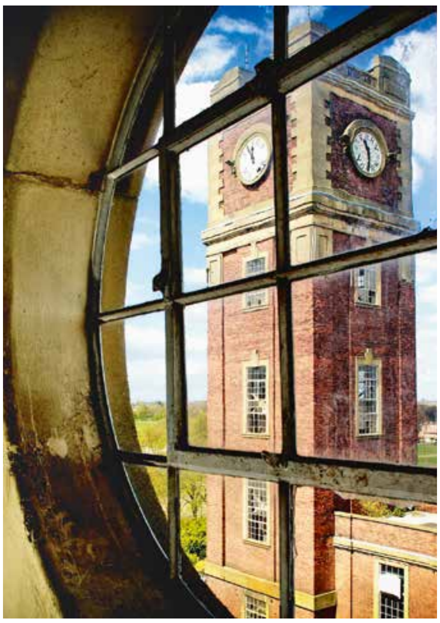
Henry Boot PLC
Annual Report and Financial Statements
for the year ended 31 December 2013

Creating value by...

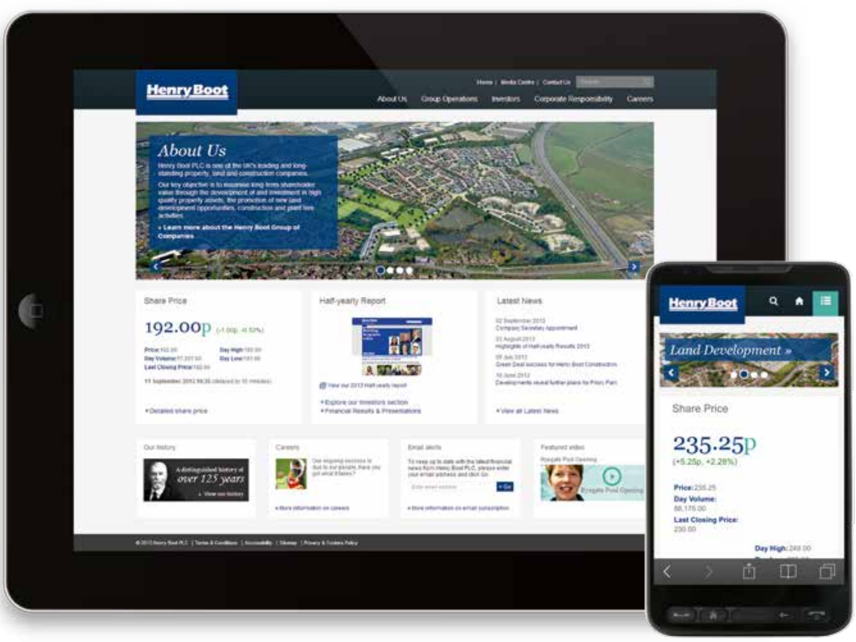
...Planning

...Constructing

...Developing



Henry Boot PLC, established over 125 years ago, is one of the UK's leading and long-standing property investment and development, land development and construction companies.



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Read our report online

Read our interactive online report alongside the printed copy to download pages and learn more about our Company **visit annualreports.henryboot.co.uk/2013**

Overview

Strategic report

Governance

Financial statements

Shareholder information

You can find a glossary of key terms at the back of the report

At a glance

Henry Boot PLC has subsidiary companies operating in the property investment and development, land development, and construction sectors.

Group operations

Property Investment and Development

Henry Boot Developments Limited

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.

Stonebridge Projects Limited

A jointly owned company in the north of England which develops family homes that combine care, consideration and attention to detail to create a place where luxury living comes to life. Also a recently refurbished building in Leeds, Park House, offers high specification serviced office space to the market.

A computer generated image of the 200 acre scheme at Markham Vale, Derbyshire

Land Development

Hallam Land Management Limited

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.

Hallam has been acquiring, promoting, developing and trading in land since 1990. We have established an outstanding record in resolving planning and associated technical problems in order to secure planning permission for a whole range of different land uses.

Land at Warton, Lancashire, where a planning application has been submitted for 360 new homes

Construction

Henry Boot Construction Limited

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.

Banner Plant Limited

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.

Road Link (A69) Limited

Road Link has a 30 year contract with the Highways Agency to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. This long-term contract was one of the first awarded via the Government's Private Finance Initiative.

A night shot of the refurbished Worsley Court Manchester tower block for Eastlands Homes

The head office of the Henry Boot Group is located in Sheffield but we operate throughout the country and have eight regional offices and six plant hire centres.

See more page 11

A computer generated image of the proposed new Aberdeen Exhibition and Conference Centre

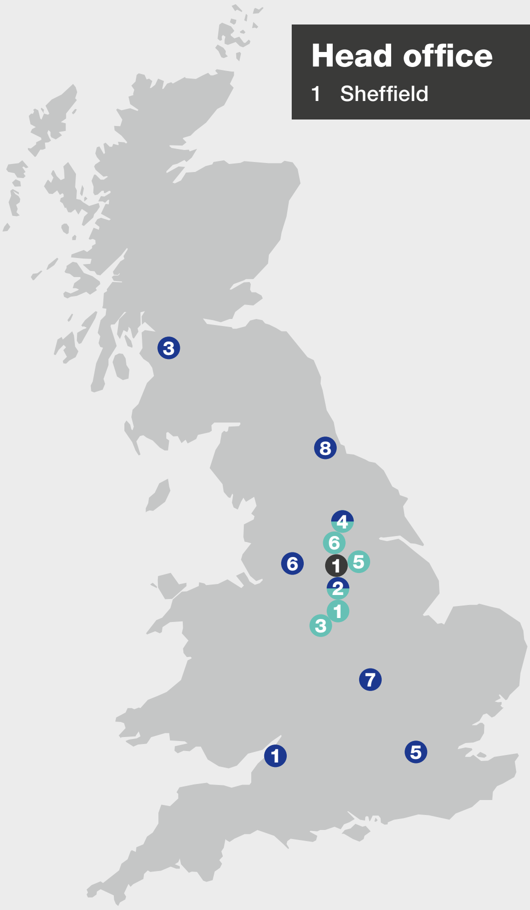
See more page 13

Ongoing development works at our successful site at St Albans in Hertfordshire

See more page 17

Recently completed exterior of Acre Mills in Huddersfield. The interior works commenced in 2014

Group locations



Head office
1 Sheffield

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

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

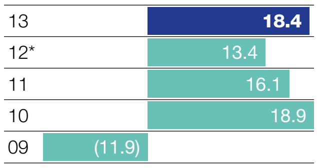
Key financial highlights

- Profit before tax increased 37% to £18.4m (2012 restated*: £13.4m)
- Property revaluation deficit of £1.6m (2012: surplus £1.4m)
- Investment property disposal profits of £0.3m (2012: £1.0m)
- Trading profits# increased 72% to £20.3m (2012 restated*: £11.8m)
- Earnings per share increased 23% to 8.6p (2012 restated*: 7.0p)
- Proposed final dividend of 3.15p (2012: 2.90p), giving a total for the year of 5.10p (2012: 4.70p), an 8.5% increase
- Total shareholder return of 52% in 2013 and 140% over the last three years
- Net asset value per share of 148p (2012: 139p)
- Investment in strategic land inventories of £9.1m saw a planned net debt rise to £36.1m (2012: £21.9m) and gearing to 19% (2012: 12%)
- Strategic land acreage now 9,723 acres (2012: 9,011 acres)

Trading profits comprise operating profit of £19.0m (2012: £14.2m), adjusted for the decrease in fair value of investment property of £1.6m (2012: increase £1.4m) and profit on sale of investment properties of £0.3m (2012: £1.0m).

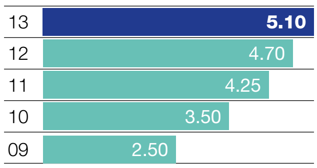
* 2012 comparatives have been restated for the adoption of IAS 19 (amended 2011).

Profit before tax (£m)



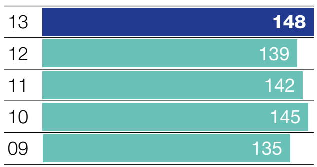
£18.4m

Dividends per ordinary share (p)



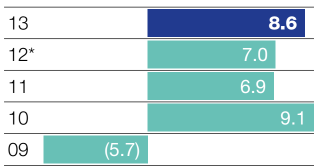
5.10p

Net asset value per ordinary share (p)



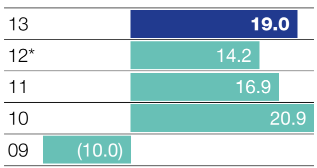
148p

Earnings per ordinary share (p)



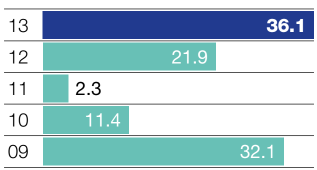
8.6p

Operating profit (£m)



£19.0m

Net debt (£m)



£36.1m

Chairman's statement

Henry Boot PLC has performed very well in 2013 and I am really pleased to report on another year of strong progress across the businesses within the Group.

John Brown
Chairman

Henry Boot has performed very well in 2013 and I am really pleased to report on another year of strong progress across the businesses within the Group.

Operating profit increased 34% to £19.0m (2012 restated: £14.2m) and I am very pleased to report an increase in profit before tax of 37% to £18.4m (2012 restated: £13.4m). EPS increased 23% to 8.6p (2012 restated: 7.0p).

At Henry Boot we take a long-term view of opportunities in the strategic land, property development and construction sectors and, therefore, our core strategic aims are very much the same as those last year. Our business model looks to parts of our business to generate relatively stable, recurring income flows (property investment and construction segment) and parts (land promotion and property development) that are cyclical, deal-driven businesses which potentially offer increased returns for higher risk. We have invested more heavily in these higher risk businesses over the last three years with the result that, as we move into 2014, we have an unprecedented number of profitable land and property development sites to work on. Examples of these investment linkages to our long-term strategy are the speculative commitment to the 27 acre ex-Terry's Chocolate Factory site in York; the Hallam Land schemes at Blaby, where we are working in consortium to bring forward a major 4,250 unit residential scheme; and Cranbrook, Exeter, where we are delivering in consortium, the only 'new town' to actually be built which will grow to 3,500 house units over the next ten years.

Our strategic capital allocation decision-making process must be flexible enough to maximise returns through economic cycles. The process recognises that downside protection is important as is maintaining prudent levels of borrowing and therefore the security of our long-term asset base, whilst, if possible, providing a growing income return. We are very mindful of our Company's long heritage and firmly believe that the strategy outlined above will nurture growing long-term shareholder value without taking unrewarded risk.

At 31 December 2013 total net assets had increased to £193.5m (2012: £181.9m), helped by a reduction in the IAS 19 pension deficit of £10.5m. As we continue to invest in our asset portfolios, debt as planned increased to £36.1m (2012: £21.9m), though we now have our largest ever number of sites with planning permission to market in 2014. NAV per share increased 6% to 148p (2012: 139p).

Subject to shareholder approval, the Board recommends an increased final dividend of 3.15p (2012: 2.90p), giving a total for the year of 5.10p (2012: 4.70p), an 8.5% increase. The 2013 yearly dividend is a record payment for the Group and we remain committed to growing dividends as results, market conditions and retained earnings allow.

I recognise that the financial results presented here are achieved by the skill, hard work and determination of the teams who work so diligently towards success in each of our businesses. On behalf of the Board I thank all staff for 2013's achievements and look forward confidently to further success in the future.

Henry Boot's recovery from the recessionary period of 2008–2011 began in the second half of 2012 and continued more strongly through 2013. As we begin 2014 we have more sites with planning permission, to market into a strongly recovering housing market, than ever before. We have more profitable development schemes to begin than at any stage over the last five years, including encouraging levels of activity in our nascent house building venture. Our construction division has a good order base for 2014 and into 2015 and, after its best year since 2005, we are confident that our plant hire business will have another good year in 2014.

In terms of risks to the continued recovery, I believe these remain the same as highlighted last year: debt availability and funder appetite to lend into the property sector, cutbacks in centrally funded capital expenditure and planning policy upheavals. To these I would add the probable rise in debt funding costs over the next two to three years as recovery takes hold and, it is assumed, the latest Bank of England targets, which would trigger a rise in interest rates, are met.

Over the last year, we continued to invest in opportunities at an early stage in the recovery, adding further to the investments already made in the last five years. Shareholders and markets have strongly supported this strategy, delivering a total shareholder return of 140% over the last three years. The potential returns from the opportunities acquired far outweigh the risks noted above and I confidently look forward to reporting growing shareholder returns in future years. The new financial year has started well and house builders reporting so far in 2014 are painting an encouraging picture of increasing activity, good land availability and slowly rising prices. Add to that a stronger market for new property development and improving construction and plant activity levels and, provided that these trends continue, we remain confident that we can perform well in 2014 and beyond.

John Brown
Chairman
17 April 2014

Creating value – together

Visit our website

Read more about our Company and view our investor information at **www.henryboot.co.uk**

Working together creating value – A mixed-use scheme at Mansfield, Nottinghamshire, with contributions from four Henry Boot subsidiary companies

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.

Property Investment and Development

York
Henry Boot Developments Limited

Location Bishopthorpe Road, North Yorkshire

Type Mixed-use development

Size 14 acres

The site includes the distinctive and iconic landmark buildings plus cleared development land. Plans for the former Terry's Chocolate Factory include 230,000 sq ft of business offices, conversion to residential townhouse and apartments, a hotel with associated leisure facilities, senior living, children's nursery, convenience retail and restaurant/café/bar facilities.

Richmond upon Thames
Henry Boot Developments Limited

Location Paradise Road, London borough

Type Town Centre Leisure

Size 20,000 sq ft

Planning has been approved for a 78 bed hotel. Construction of the 20,000 sq ft building commenced in March this year and will take nine months to complete. The hotel has already been pre-let to Travelodge on a 35 year lease.

Thorne
Henry Boot Developments Limited

Location M18 J6, South Yorkshire

Type Development partnership

Size 23 acres

This is a joint development with the Royal Bank of Scotland where planning consent has been secured for 45,000 sq ft of open A1 retail, two restaurants, a hotel, a nursery and business park. A pre-sale to Tesco has been completed for a 37,000 sq ft foodstore. An ERDF grant of £6.45 million has been secured which brings forward the industrial land for development. The infrastructure works contract has been awarded to Henry Boot Construction and will commence on site in spring 2014.

Leeds
Stonebridge Projects Limited

Location Park Square West, West Yorkshire

Type Serviced offices

Size 22,963 sq ft

A flagship building in the centre of Leeds at the heart of the business district, Park House was built in the 1890s and was originally used as a warehouse for local wool merchants. The building was acquired by Stonebridge in August 2011. During 2012 two of the floors were converted to high quality serviced office space. In January 2013 they were opened and by the year end they were 63% occupied so works to convert the remaining floors were commissioned. The remaining floors will open in April 2014.

Land Development

Dunbar
Hallam Land Management Limited

Location Edinburgh Road, East Lothian

Type Land promotion

Size Planning for 70 new homes

Dunbar is a quiet dormitory town popular with workers in nearby Edinburgh, who find it an affordable alternative to the capital itself. An optioned site that has taken some years to bring through the system, Hallam now has a planning permission for 70 new homes. The land is currently being marketed and interest has been shown by a number of developers in the region. A sale is anticipated during 2014.

Marston Moretaine
Hallam Land Management Limited

Location Woburn Road, Bedfordshire

Type Land promotion

Size Planning for 125 new homes

In total this is a 64 acre owned site which now has planning permission for an initial 125 residential units and 17 acres of industrial development. Phase one is being sold to a national developer, while Phase two is being actively promoted through the planning system.

Performance Review

Read more about our current schemes and Company performance in 2013

View the Performance Review on page 10 to 21

Construction

Leeds

Hallam Land Management Limited

Location Royds Lane, Rothwell

Type Land promotion

Size Planning for 45 new homes

The site is six miles to the south east of Leeds and offers an excellent location. A part owned site with a planning permission secured for 90 new homes, of which our share is 45 properties, with an affordable housing element of 15%. The site was sold to a national developer in December 2013.

Sheffield Hallam University

Henry Boot Construction Limited

Location Sheffield, South Yorkshire

Type Sports development centre

Size Two storey sports pavilion and two synthetic 4G pitches

Demolition of existing facilities including safe removal of asbestos, and erection of new sports pavilion comprising twelve main changing rooms, bar, kitchen, viewing balcony, ancillary accommodation and two full size sports pitches, with associated civil engineering and landscaping works.

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.

Leicester

Hallam Land Management Limited

Location Blaby, Leicestershire

Type Land promotion

Size Planning for 1,593 new homes

A consortium site which saw a planning permission secured in 2012 for 4,250 new homes of which our share is 1,593 residential units. The complex Section 106 agreement has now been signed which now confirms Hallam's largest single ever permission, although this permission is being judicially reviewed. The scheme also includes two primary schools, a secondary school, shops, workspaces, community hall, employment, cafés, bars and a pub, health centre, leisure uses, and parks and open spaces.

Sheffield Interchange

Henry Boot Construction Limited

Location Sheffield, South Yorkshire

Type Solar photovoltaic panels scheme

Size 22kWh system

A contract to deliver the first part of South Yorkshire Passenger Transport Executive's (SYPTE) programme to significantly reduce carbon emissions and invest in renewable energy. Henry Boot Construction installed a solar PV system at the busy Sheffield city centre interchange.

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 in the north to the East Midlands and Birmingham in the south whilst more specialist divisions have national coverage.

Strategy and business model

Strategy – 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 opportunities, construction and plant hire activities.

Strategic Report

Introduction from Group Managing Director

I have pleasure on behalf of my fellow Directors to present this Strategic Report for the Group for the year ended 31 December 2013.

This report will set out to show how Henry Boot creates value through the development of and investment in high quality property assets, the promotion of new land opportunities, and construction activities.

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 page 2 and the Performance Review on pages 10 to 21.

We are delivering our key objective to shareholders by adopting a working strategy and business model that encapsulates our long-standing principle to prudently invest for the long-term. Henry Boot has been in operation since 1886, has seen many economic cycles come and go and has continued to provide an income return to its shareholders. Our strategic decision making has to be flexible enough to deal with the vagaries of the economic cycle, maximising opportunities arising throughout the cycle and successfully achieving our business objectives set out opposite.

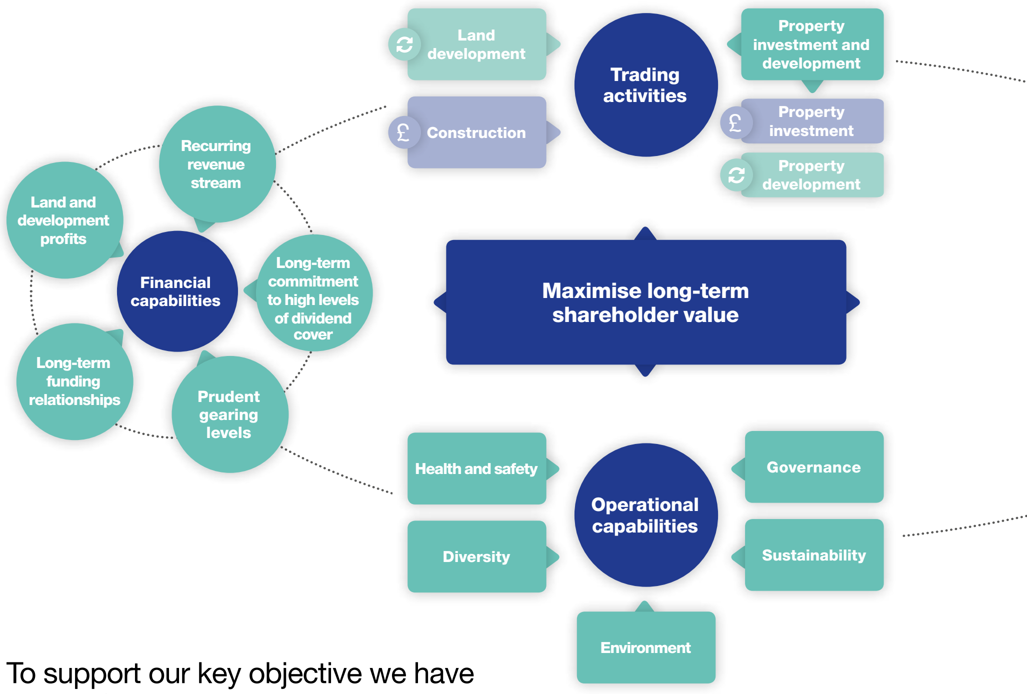
It is through a balance of risk weighted rewards, security of the long-term asset base and relatively prudent gearing levels that we aim to create and sustain shareholder value into the future.

Jamie Boot
Group Managing Director
17 April 2014

Strategic Report

Our business model illustrates how we set out to achieve our key objective and create value.

Our trading activities, financial capabilities and core skills are organised so property investments and construction activities generate recurring revenue streams which allow us to maintain long-term funding relationships at prudent gearing levels, which in turn enable land development and property development activities to create cyclical long-term revenue potential and realisation.



To support our key objective we have set the following business objectives:

Provide growing long-term shareholder returns
Key resources: 06
Performance measures:
Shareholder value and shareholders' funds

Create regular revenue streams through retained property assets, rental income and construction activities
Key resources: 02 03
Performance measures:
Revenue, return on capital employed and investment property

Achieve long-term funding relationships with financial partners and maintain prudent levels of gearing at less than 50% of net assets
Key resources: 06
Performance measures:
Gearing levels and revenue

Create long-term cyclical revenue potential and realisation through land development and property development
Key resources: 04 05
Performance measures:
Long-term revenue and asset value created

How we measure our performance

We track a series of financial and non-financial metrics that demonstrate the progress we are making

View our KPIs on pages 24, 25, 36 and 37

Key

Sources of year on year recurring revenue

Sources of cyclical revenue providing higher returns over longer-term investment

Provide a long-term commitment to high levels of dividend cover

Key resources: 06

Performance measures:
Earnings per share and dividend cover

Achieve a return on capital in excess of 10%

Key resources: 02 03 05

Performance measures:
Profit, net assets and return on capital employed

Recruit and retain the highest calibre of people to meet our key objective

Key resources: 01

Performance measures: Long-term success of business and targets met

Our key resources

01 Our 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.

Corporate responsibility on page 30

02 Construction

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 twelve years remaining on the concession; furthermore, the market for PFI assets remains strong even in the event of disposal.

Read more about our construction activities on page 17

03 Property investment asset portfolio

We have a substantial investment portfolio built up over many years which we actively manage to drive year on year recurring revenue and cash flows, and maximise investment values. The investment portfolio is primarily composed of retail and office investments which make up 45% and 38% respectively of the rental income generated.

Read more about our asset portfolio activities on page 11

04 Land development strategic land bank

At 31 December 2013 we owned 1,791 acres and had interests in a further 7,932 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 2013 we had planning permission for over 10,000 house units on some 39 sites.

Read more about our strategic land bank on page 13

05 Property development

We identify and secure development opportunities and then we add value by securing planning permissions. 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 levels of activity for several years and in particular food stores currently offer very strong returns. We have a small but growing house building interest that we hope to develop into a more meaningful profit centre.

Read more about our property development on pages 11 and 12

06 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.

Read more about our financial position on page 22

Board of Directors

John Brown
Chairman
John Brown, FCCA, CTA, 69, 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 Lookers plc, a London Stock Exchange listed company, 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, 62, 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.

John Sutcliffe
Group Finance Director
John Sutcliffe, BA, ACA, 54, 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 relinquished the role of Company Secretary in August 2013 and continues as the Board member responsible for finance, risk and pensions.

Michael Gunston
Non-Executive Director
Michael Gunston, FRICS, 70, 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.

James Sykes
Non-Executive Director
James Sykes, BA, ACA, 49, 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 a Non-Executive Director of Saffery Champness' businesses in both Guernsey and Switzerland. He is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Company Secretary

Russell Deards
Company Secretary
Russell Deards, LLB, 47, joined the Company in April 2013 as Head of Legal. He qualified as a solicitor in 1991 and after 13 years in private practice took up his first role in industry with David Wilson Homes in 2004. After the takeover of that business by Barratt Developments Russell became Head of Legal Services until leaving to take up a partnership at Flint Bishop Solicitors in 2011, from where he joined the Company. He was appointed Company Secretary and Head of Insurance in September 2013.

Senior Management

David Anderson
Henry Boot Developments Limited
David Anderson, BSc (Hons), MRICS, 47, 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), 54, 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, 55, has been with Henry Boot for over 26 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 a past president of the Yorkshire Builders Federation, is chair of the regional executive board of the National Federation of Builders and is a Director of NFB Limited.

Read the Q&A with Simon Carr on page 21

Keran Power
Hallam Land Management Limited
Keran Power, MRTPI, 63, 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.

Read the Q&A with Keran Power on page 16

Performance review

Our key strategy remains the creation of long-term shareholder value.

Jamie Boot *(Top)*
Group Managing Director

John Sutcliffe *(Bottom)*
Group Finance Director

In summary

- 2013 saw us continue to invest in the strategic land bank, with an unprecedented level of planning success.
- Further signs of improvement in the property development market with location, as ever, still crucially important to achieving high values.
- Our continual focus on quality, safety and efficiency in construction means that we are happy with our contract success.

Introduction

Group structure

Property Investment and Development
- Henry Boot Developments Limited
- Stonebridge Projects Limited

Land Development
- Hallam Land Management Limited

Construction
- Henry Boot Construction Limited
- Banner Plant Limited
- Road Link (A69) Limited

See note 34 on page 106 for a list of principal active subsidiaries and joint venture partners

As indicated in last year's Operational Review, activity levels improved through 2013 and continue to look encouraging for 2014 and beyond. Our key strategy remains the creation of long-term shareholder value. The 'long-term' is crucial to evaluating our process of value creation which, in essence, is about improving the worth of speculatively acquired assets by changing the asset's planning position or development use. Interaction with the UK planning process is a slow, expensive, uncertain and very inconsistent process. Therefore, navigating a successful business through these processes needs skill, dedication and long-term financial support. 2013 saw us continue to invest in the strategic land bank, with an unprecedented level of planning success, and in property development activities, which saw us successfully complete the schemes in progress and bring forward others to commence in 2014. Our small house building operation completed 26 sales in the year and is operating from five sites moving into 2014. We expect to increase sales towards 40 units in 2014 and are in detailed negotiations to acquire sites for up to 250 units in total.

Our construction and plant businesses performed very solidly in 2013, particularly plant where utilisation rates rose as activity, in the construction sector generally, recovered. Construction activity was stable and, although pricing remains extremely competitive, our continual focus on quality, safety and efficiency in construction means we are happy with our contract success rates. We have a strong order book going into 2014, ahead of this time last year, and remain confident of a decent year to come. Road Link (A69) continues to perform in line with expectations and underpins the profits and cash flows of the construction segment. We have twelve years left on this franchise and, whilst we expect to incur slightly higher road lighting costs in 2014 under our planned maintenance programme, we are confident that the franchise will continue to perform well.

The market conditions in which we are now operating are firmly on an improving trend. House builders are beginning to perform strongly and mortgage availability is improving. There is a good supply of land with planning permission and the house builders have replenished their land banks. The demand for good quality sites is still strong but house builders are becoming more selective when acquiring new sites. There are further signs of improvement in the property development market with location, as ever, still crucially important to achieving high values. 2014 will see development schemes commence in Malvern, Richmond upon Thames, Stoke-on-Trent, Nottingham and, later in the year, a large retail scheme at Daventry.

December 2013 saw the completion of several transactions we had expected to conclude in early 2014, which moved our financial performance ahead of forecast for the year. In a flat market, this may have resulted in a knock-on impact on the 2014 results; however, our long-term investment programme and improving market conditions mean we should be able to recover this timing difference during 2014. Therefore, we are optimistic that 2014 can be a further year of progress for all sections of our business.

Henry Boot DEVELOPMENTS

Stonebridge

Property investment and development

Percentage of 720,750 sq ft of 14 investment properties occupied

92%

Annual rent roll of 14 investment properties

£7.3m

End value of 16 schemes going through planning

£137.8m

End value of seven schemes being developed out

£29.8m

Property

2013 saw a general improvement in property markets, although the recovery in values and occupier demand was unevenly spread across sectors and regions, with a lack of transactional evidence supporting significant uplifts in property valuations. Occupier confidence, whilst improving during the year, was slow to translate into contracted transactions until the second half of the year when things started to improve. We have continued to build on the previous year's progress, letting most of the remaining vacant space within the investment portfolio and, at 31 December 2013, we had no large voids and rental income receivable increased over the year.

We completed the second phase lorry park extension at our multi-let motorway service area in Kent, which immediately traded at capacity and helped the scheme achieve a significant year on year increase in footfall which, aided by further active asset management, increased the number of tenants trading and rental income. At the very end of the year we took back 11,000 sq ft of office space within our mixed-use town centre retail and office scheme in Bromley and relocated that tenant to 25,000 sq ft of office space within the town which we purchased specifically for that purpose. The resulting investment was immediately sold generating a rapid and very satisfactory return. We also expect to see the return of 24,000 sq ft of office space currently let to RSM Tenon Group PLC (in administration) at some stage in 2014. However, given the quality of the space, which is in Nottingham city centre, we hope to re-let the space in the near future.

We saw marginal improvements in some property investment values during the year but these were offset by the valuation impact of the tenancy changes noted above, resulting in an overall external valuation of the investment portfolio, undertaken by Jones Lang LaSalle, of £95.1m at the year end. Of this £6.8m related to Group occupied properties. The investment portfolio continues to be relatively diverse with retail and office uses accounting for 67% and 17% respectively, and industrial and leisure uses accounting for 9% and 7% of rental income. There has been little change in the portfolio's composition over the year but 2014 is expected to see the sale of a number of investment properties in exchange for the completion and retention of a number of new developments which will increase the portfolio's exposure to the industrial and leisure sectors.

Developments in progress

Property development activity has again seen a year on year increase, despite a number of project delays due to planning issues or because prospective occupiers delayed contractual commitments until the second half of the year. The majority of the projects affected have now reached an unconditional stage and work has either already commenced on site or will do so in the next few weeks enabling scheme completions to be achieved late in 2014 or early 2015. At Markham Vale, the 200 acre business park developed in partnership with Derbyshire County Council, work commenced on three projects comprising over 50,000 sq ft of industrial and office space, a petrol filling station and a drive-thru Starbucks, all of which will be completed in 2014. Terms have now been agreed for a further 50,000 sq ft of industrial space at Markham and other food outlet uses which are also targeted for completion in 2014. The provisional route for the HS2 high speed rail link runs close to the site and approximately ten acres of serviced land has been temporarily safeguarded for the project. As a result, this land has been leased to contractors upgrading the adjoining M1 motorway for two years. In Stoke-on-Trent terms were agreed with an existing tenant to extend their factory warehouse and re-gear the lease. Detailed planning permission has been secured and work is expected to commence early in 2014 and be completed within the year.

The completion of our mixed-use leisure and office scheme on Deansgate, Manchester, was achieved in December 2013. Despite protracted delays to the construction programme, the scheme remained on budget, and handover to The Oddfellows Society, who had forward purchased the office space, occurred in December 2013. The balance of the scheme, comprising restaurant space, is now 60% let on long leases and these units are expected to start trading before the middle of 2014. Terms have been agreed for the letting of the remaining unit and we expect to conclude this final letting in 2014.

Planning permission has been secured for two budget hotels, one in Richmond upon Thames, for 78 rooms, and the other in Malvern, for 67 rooms, pre-let to Travelodge and Premier Inn respectively. Work on both is expected to commence in spring 2014 and will be completed by early 2015. Having secured a number of pre-let agreements and detailed planning permission for the redevelopment of our retail investment in Beeston, work has commenced and will be completed by the 2014 year end.

Property investment and development continued

Q&A

Darren Stubbs

Darren is the Managing Director of Stonebridge Projects, which is a jointly owned house builder and provider of premium serviced office space.

Q: What growth are you looking for in the short and long term?

Our aim in the near future is to build the business to 100 houses per year and beyond. Our growth will be underpinned with a focus on building high quality homes and continuing to listen to our buyers.

Q: Where does the serviced office business fit?

Park House is selling substantially ahead of schedule; we attribute this to a fantastic location coupled with premium surroundings and service. We will take this concept to new cities.

Our ability to attract tenants from a wide range of industry sectors provides us with a robust business model.

Q: How is your management team performing?

We have an experienced team in the business who understand our brand and culture. We will continue to invest in talent as we grow.

Developments in progress continued

As previously reported work commenced on the conversion of a listed, former wire mill to create a 56,000 sq ft outpatients centre and clinical offices, pre-let to the Calderdale & Huddersfield NHS Foundation Trust. The development is part of an innovative joint venture with the Trust which aims to release development value from surplus property assets and deliver new accommodation for the Trust's use. The initial phase of work on the listed mill was successfully completed within the year and the final phase of fit-out works is expected to be completed early in 2015 when the facility will open to the public.

Future development opportunities

Following the purchase of the 56 acre site on the edge of Skipton in 2012, a comprehensive pre-planning consultation exercise was undertaken during 2013, culminating in the submission of a planning application for the site by the year end seeking consent for a mixed scheme of employment, foodstore and ancillary uses. The consultation process indicated good support for the project from the local community due to its economic benefits and it is hoped that planning permission will be obtained by the middle of 2014. J Sainsbury plc is already under contract for the foodstore and contracts have also been exchanged for some of the new industrial space within the scheme.

We operate two joint developments with UK banks and both have seen significant progress during the year. At Thorne, where we are working with The Royal Bank of Scotland in the development of a 23 acre former vehicle storage site, the contract for a Tesco foodstore is now unconditional and work will shortly commence on the initial phase of enabling and infrastructure works to be completed in the second half of 2014. Terms have also been agreed with other occupiers on part of the remaining space on the scheme. On the edge of Chesterfield town centre we are promoting a six acre site working with Lloyds Bank where terms have been agreed for the sale of serviced plots; these sales are expected to conclude in 2014 following the grant of planning permission.

The Group undertook a particularly notable purchase in the first half of 2013, the former Terry's Chocolate Factory in York. The purchase was immediately followed by a sale to house builder Barratt Developments PLC which acquired approximately half the site which had the benefit of a residential planning consent. The balance of the property comprising 230,000 sq ft of listed factory buildings, 4.5 acres of cleared development land and 23 acres of greenbelt was retained by Henry Boot. After purchase completion, planning permission was then secured for a mixed-use scheme including residential, office and leisure uses. We then targeted interest from a range of hotel operators and potential residential development partners and are now expecting to finalise terms for the majority of the residential scheme in the early part of 2014, enabling that part of the development to proceed to site in the second half of the year. Towards the end of 2013 we were selected as the preferred development partner by Aberdeen City Council to undertake the development of a new exhibition and conference centre together with a business park and hotel on a 130 acre site we have under contract, adjacent to Aberdeen Airport. The proposed scheme also includes the mixed-use redevelopment of the existing 45 acre exhibition and conference centre site, after relocation to the proposed new facility. Initial agreements for this very significant and exciting development are now in place and work will proceed rapidly to obtain planning consent, subsequently targeting scheme completion in 2017/18.

We made good progress with planning, scheme design and pre-let discussions on our town centre retail, leisure and foodstore scheme in Daventry with the agreement of terms for an 80,000 sq ft foodstore and the receipt of planning permission for the residual 87,000 sq ft scheme, which now also benefits from agreed terms with a number of retail and leisure operators. We hope to conclude these agreements during the course of 2014 to enable the site development to begin early in 2015.

We continue to focus on the release of capital tied up in other development sites we own as well as securing new opportunities which will generate value in future years. Taking such development projects through the planning and development process can often be a protracted exercise but it is pleasing to note good progress was made during the year and we confidently expect to be able to report on a number of further transactions and new development projects in the coming year.

Our 50% owned house building business completed 26 units in the year and, as we move into 2014, is looking to grow activity towards 40 units. The business is now profitable and with a recovering market we are confident of building on the success achieved so far. The management team is largely in place and capable of achieving the growth targets set. We have the required land bank for 2014 and are currently in discussions about longer-term sites which would provide 250 units into the future.

We expect to conclude the refurbishment of Park House, our serviced office in Leeds, soon. From early 2014 we will be marketing the completed scheme to small businesses who are looking to work from high specification, technologically advanced office space for a fixed cost with flexible lease arrangements. Interest and letting success so far has been very positive and 2014 should see us decide whether this proposition is as successful as we hope it to be.

Hallam Land Management

We achieved a higher number of land disposals this year and prices have moved up steadily across the board.

Strategic land sites in portfolio

139 sites +11%

Total interests of land sites held at December 2013

9,723 acres +8%

Inventory value of assets

£83.9m +10%

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

27% +28%

A planning in principle application was approved on appeal for 113 units at Haddington, East Lothian

Land development

Hallam Land Management Limited, our strategic land business, had another very active year in 2013. Whereas 2012 was very productive in terms of obtaining planning permissions but quiet in terms of sales trading, 2013 has seen an upturn in the number of site disposals and continued further success securing planning consents. The strategic land market has shown a steady improvement throughout the year and those areas of the country where land sales proved difficult in the recession have reduced in number and in size. As a consequence, we achieved a higher number of land disposals this year. Prices have moved up steadily across the board, although deals still remain very difficult to complete as a result of the complexity of due diligence undertaken.

The main disposals achieved in the year were at Banbury, Evesham, Long Buckby, Mansfield, Nuneaton, Burdiehouse, Rolleston-on-Dove, Rothwell, and Desborough, which contributed to an excellent segment profit before tax of £11.1m (2012: £2.0m).

In the year, we secured planning permission (or minded to grant planning, subject to signing a planning agreement) on sites at Abingdon, Burton upon Trent, Chatteris, Coventry, Derby, Dunbar, East Leake, Haddington, Hailsham, Leeds (Oulton and Rothwell), Marston Moretaine, Nuneaton, Pontefract, Ripley and Southbourne.

We have continued to add land into our land portfolio with new sites being acquired in 2013 at Grazeley, Beverley, Coxhoe, Alton, Mortimer, Thame, Burton Latimer, Bradford, Doncaster, Frome and Swadlincote. At December 2013 we held interests in 9,723 acres (2012: 9,011 acres), with 1,791 acres being owned (2012: 1,765 acres), 3,184 acres held under option (2012: 3,466 acres) and 4,748 acres held under planning promotion agreement (2012: 3,780 acres). The continued investment in new sites and planning costs resulted in an inventory value of the assets of £83.9m (2012: £75.9m) across the 139 sites within the portfolio. At the end of 2013 we were in discussions on a number of new sites which have been identified as possible additions to the portfolio and expect to conclude on the majority of these in 2014, pushing our land interests towards 10,000 acres. We also continue to uncover good opportunities to acquire further land into our portfolio at competitive pricing levels and are actively looking to do so.

Last year, we reported that we had achieved a minded to grant planning permission on our shared site at Blaby, for 4,250 houses. During the year we have made steady progress in negotiating a highly complex Section 106 agreement, which we are pleased to report has recently been signed, confirming our largest ever single permission, although this permission has now been judicially reviewed. There is still a good deal of preparatory work to be done but we still expect the first land sales to come forward in 2015/16. In addition, at Cranbrook, Exeter, over 600 houses have now been built or are under construction on one of our other major shared sites. This scheme, which is proving to be very popular, already has permission for 3,500 homes which will probably expand to over 5,000 homes. Over the coming years, given their size, we expect to make profitable land sales on these and other large long-term sites held in the portfolio.

In last year's report we indicated that the Government's reforms to the planning system were creating an opportunity to secure more planning permissions than for many years. This trend continued into and through 2013 and is likely to persist into 2014 and beyond. We must all recognise that the planning process is affected by the political process and is therefore inherently unstable. At present, the planning system is much improved and generally responsive to the need for housing where there is a demonstrable shortfall in the five year local housing supply. This has helped bring forward sites and made the process much more predictable and efficient. For the first time ever the Group has accumulated a small stock of consented sites which will help us provide a little more certainty in forecasting forward-looking activity levels particularly if, once again, new planning permissions become harder to obtain.

Within many Planning Authorities, these changes have taken time to be adopted in full but they are now generally more understanding of the Government's new rules and are much more likely to grant permission than was previously

Strategic report

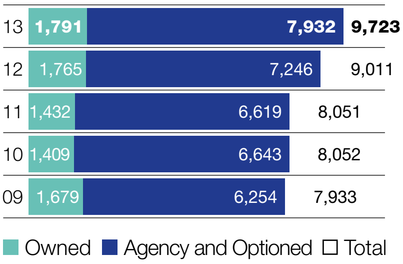
Land development continued

Sites with residential planning permission

39 +56%

Land bank (acres)

9,723 +8%



the case where a land supply shortfall exists. There are still a number of Local Authorities that stubbornly refuse to accept the land supply arguments, even where there are no reasonable grounds for doing so. However, as a direct consequence of the revised appeal process within the planning system, where initial applications are lost on spurious grounds, we are consistently winning appeals; indeed in 2013 our success rate was around 90%.

Undoubtedly, Government measures to stimulate the housing sector have assisted and schemes such as 'Help to Buy' and 'Funding for Lending' have increased house builders' confidence levels and created a catalyst for new house buyers to visit sites. The overall number of new home transactions has increased steadily throughout the year and, likewise, house prices have started to recoup pricing levels lost in the recession. The Government, rightly, remains nervous of creating a house price bubble, as evidenced by its shift of emphasis for the 'Funding for Lending' scheme. We recognise that the Government has to tread a very fine line between keeping the house building sector vibrant and avoiding a new price spiral, which benefits no one in the longer term.

Despite the substantial improvements in the planning system, Community Infrastructure Levy, Section 106 agreements, and the high levels of affordable housing are continuing difficulties which have to be dealt with. These issues have been largely unaffected by the planning reforms, indeed, as Local Authorities' own financial position has worsened it has become even more important for them to secure financial contributions from the land developments which they approve. Those contributions affect the cost of new homes, add directly to planning costs and other agreements and increase the time taken to actually receive a Notice of Decision once a Local Planning Authority has been minded to grant a planning permission. Streamlining these procedures and contributions would significantly speed up the planning process and deliver the affordable new homes the Government aspires to achieve.

Overall, the progress in 2013 has been very satisfactory and the outlook for 2014 and beyond remains positive. We continue to anticipate steady growth and further expansion within our business in support of the recovering house builders. In November 2013 we opened a new office, our seventh, in Leeds. We now feel we have full coverage of the UK and with this structure in place we can achieve the growth identified in our plans.

Rebecca Wasse
is a Regional Manager for Hallam Land Management Limited and joined the Company in October 2013.

"I am enjoying the variety of projects that I am involved in and, being based in Leeds, I am able to spend quality time with the various consultants, agents and solicitors. I enjoy the challenges that each project brings and am happy to be working for a professional and friendly company."

An option agreement for 80 acres of land in Edenthorpe near Doncaster

We have secured planning permission or minded to grant permission subject to the signing of a planning agreement on the following sites during 2013 and post year end:

Site	Status	No. of residential units
Abingdon	Planning Promotion Agreement	160
Burton upon Trent	Planning Promotion Agreement	950
Chatteris	Planning Promotion Agreement	1,000
Coventry	Option	98
Derby, Chellaston	Owned	54
Derby, Wragley Way	Planning Promotion Agreement	130
Dunbar	Option	70
East Leake	Planning Promotion Agreement	170
Frome	Option	450
Haddington	Option	113
Hailsham	Planning Promotion Agreement	240
Leeds, Oulton	Owned	40
Leeds, Rothwell	Owned	45
Marston Moretaine	Owned	125
Nuneaton Lower Farm	Planning Promotion Agreement	400
Pontefract	Owned	40
Ripley	Owned	180
Stone	Planning Promotion Agreement	250
Southbourne	Planning Promotion Agreement	130
Winsick, Chesterfield	Owned	160

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

Site	Status	No. of residential units
Biddenham	Owned/Planning Promotion Agreement	495
Blaby, Leicester	Planning Promotion Agreement	1,593
Bolsover	Owned	250
Bradford	Planning Promotion Agreement	292
Bridgwater	Owned	420
Cam, Nr Stroud	Owned	71
Cleek Hall, Selby	Option	Wind farm
Cranbrook, Exeter	Owned	500
Highbridge	Planning Promotion Agreement	130
Kegworth	Owned	110
Kettering	Owned	325
Kilmarnock	Owned	500
Mansfield Penniment Farm	Owned	215
Peterborough	Owned	25
Retford	Owned	8
Rugby	Owned	180
Stratford-upon-Avon	Planning Promotion Agreement	250
Tillicoultry	Owned	74
Winsford	Option	180

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

Site	Status	No. of residential units
Aldingbourne	Owned	79
Aslockton	Planning Promotion Agreement	75
Barnsley	Owned	75
Buxton	Planning Promotion Agreement	375
Fareham	Planning Promotion Agreement	1,550
Faversham	Planning Promotion Agreement	315
Hamble	Planning Promotion Agreement	225
Harrogate	Option	200
Irthlingborough	Planning Promotion Agreement	700
Longbar	Owned	50
Market Harborough	Owned	500
Moodiesburn	Owned	50
Repton	Owned	40
Sheffield	Owned	200
Stafford	Owned	14
Swindon	Option	1,000
Warton	Planning Promotion Agreement	360
Worcester, Earl's Court Farm	Planning Promotion Agreement	450
Worksop	Planning Promotion Agreement	175
Wymondham	Option	390

Finally, the following sites are at appeal:

Site	Status	No. of residential units
Aylesbury	Planning Promotion Agreement	200
Aylesbury	Planning Promotion Agreement	1,560
Banbury	Option	500
Bathgate	Owned	140
Eckington	Planning Promotion Agreement	70
Handcross	Planning Promotion Agreement	90
Launceston	Owned	100

Strategic report

Q&A

Keran Power is the Managing Director of Hallam Land Management Limited and has worked for Henry Boot for 24 years.

Q: Looking at performance for 2013, what have been the main highlights?

Hallam has performed strongly in terms of the number of land disposals completed in a challenging market situation. It is pleasing to note that these disposals were across the whole country and have resulted in a profit before tax of £11.1m. Also pleasing is the continuing success of our planning strategy with over 25 sites having been granted planning permission or a 'minded to grant planning permission' in 2013. Of particular note is the grant of planning permission including the signing of the Section 106 Agreement (in January 2014) of the 4,250 house site at Blaby in Leicestershire which is the Company's single largest permission ever.

Q: What are your key market drivers of your growth?

The key market driver without question for us is the resurgence of the house building sector. The importance of house building in the national economic picture has meant that since the 2008/09 credit crunch the national economy and thus the house building sector have been on the back foot. This in turn has affected our ability to dispose of sites. However, 2013 has seen a distinct upturn in the national economy in general and house building in particular, which has been largely responsible for our increased number of land sales. In this context, the Government Funding for Lending and Help to Buy (and other similar) schemes designed to free up the mortgage market have been instrumental in doing just that, which in turn has given renewed confidence to the house builders to increase production and to start restocking their land supply.

The second important driver has been the recognition by the Government of the shortage of the supply of new consented greenfield sites for house building. This has resulted in the Government reforming the planning system through the NPPF and the adoption of the presumption in favour of new development where a five year land supply cannot be demonstrated. This more liberal attitude to new development is making a significant difference, in terms of our ability to obtain planning permission. Not only are we able to obtain planning permission but we can do so in a shorter timescale and in a more predictable fashion.

Q: What are the main risks affecting your business?

The main risks are those threats to the general economic position and to the reformed planning regime. Our view is that the economy looks to be once again on a much sounder footing which hopefully will bring stability and growth to the house building sector, but clearly anything which in any way undermines the recovery will be a threat to our business. Perversely, the successful turnaround of the economy is in itself a threat to the planning side of the business. Once the economy is again able to stand on its own two feet the Government of the day may decide to reverse the liberalisation of the planning system which has undoubtedly been largely unpopular with the general public and with many Local Planning Authorities.

A lesser risk is the introduction of new players into the strategic land business attracted by the 'softer' planning regime. We have already seen some new entrants into the market, some of whom are taking a very competitive approach to land trading and indeed to planning promotion strategy. We do not see this particular threat as anything other than good for the business and will ensure that we keep our own approach fully under review at all times, to ensure that we remain competitive.

Q: In the short term, what are your priorities for 2014?

So long as the planning system remains in a relatively benign state we will continue to submit new applications where we are confident of our position. We will look to improve our profitability in 2014 and believe that we have enough sites at a sufficiently advanced stage in the planning process to do that. We are therefore concentrating our efforts on bringing to the market those sites where we already have obtained planning permission whilst at the same time looking to increase the number of consented sites and to replenish our portfolio of raw sites.

Q: What is the long-term strategy of the business?

Our long-term strategy remains unaltered in that we will continue to identify long-term development opportunities and promote those through the planning process. We are of the view that the country remains chronically undersupplied with land for new housing which cannot be redressed without a sustained programme of land release on a scale that no Government has contemplated since the development of the post war new towns. Such undersupply of housing has enabled Hallam to find its place in the market over the last 25 years and we see very little change in that. We have expanded at a steady rate since our inception in 1990 and we intend to continue that expansion at a sustainable rate across the whole country. We see opportunities in every part of the country although clearly the more dynamic southern half is likely to see more long-term growth than elsewhere.

We are confident that our budgeted profit and turnover levels will be maintained after carrying a substantial order book into 2014.

Forward order book in construction business for 2014

£52m

Forward order book in construction business for 2015

£19m

Recently completed refurbishment of eleven floors of office space at Moorfoot for Sheffield City Council

Construction

Whilst the marketplace has remained challenging during 2013, Henry Boot Construction Limited has achieved both targeted activity and profit margins. We are also confident that our budgeted profit and turnover levels will be maintained after carrying a substantial order book into 2014.

Pleasingly, after many months of contraction in general construction output we are starting to see increases in activity and consequently expect a small increase in general tender price levels during the coming year. Growth in opportunities across a wide range of sectors, coupled with our reputation for the delivery of high quality projects, has enabled us to maintain both 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 we are also seeing greater opportunities in the retail, industrial, commercial and leisure sectors. We have recently been awarded a major contract to redevelop Stocksbridge town centre for the Stocksbridge Regeneration Company. This contract comprises retail, commercial and associated civil engineering works and commences in 2014 for completion in 2016.

We continue to maintain a strong presence in both the Decent Homes market and external wall insulation works. We are continuing to work on long-term frameworks and partnership arrangements for St Leger Homes, North Lincolnshire Homes, Eastlands Homes, Sheffield City Council, EN Procure, Fusion 21, Hull City Council, Yorkshire Housing and ASRA Housing Group. This market continues to offer good opportunities in the short to medium term.

The Ministry of Justice framework is continuing to provide new build and refurbishment opportunities for HM Prison Service and HM Court and Tribunals Service in the north of England. After a slow start we are starting to see an encouraging number of opportunities and anticipate that this will continue over the remaining five years of the framework.

The level of work available from the industrial sector has also shown signs of growth; we are delivering a major design and build contract for Bifrangi, in Lincoln, to provide Screw Press House and research facilities. We have also completed works for Tata Steel in Sheffield and Rotherham during the year and are currently delivering a major laboratory refurbishment for Smithers Viscient in Harrogate.

The education and commercial sectors continue to provide a steady stream of work with contracts carried out for Sheffield Hallam University including the refurbishment and remodelling works on their Collegiate Campus together with the Sheffield Sports Park and Graham Solley Pavilion Development. Work will also commence shortly on the Joseph Banks laboratory fit-out contract for the University of Lincoln.

Projects, in conjunction with the Football Association, to provide changing facilities and sports pavilions for Barwell District Council and Codnor Sports Charitable Trust have also been completed in the year and discussions are ongoing with other potential end users.

"I enjoy my role and the variety of work I am involved in; I am developing in my job role with the help of my colleagues who are fantastic mentors. It is a great company to work for!"

Sophie Pickering is an Apprentice Administrator working for Henry Boot Construction Limited and has been with the Company for one year.

Case study: Bifrangi UK Ltd New Screw Press House

Henry Boot Construction Limited

Bifrangi UK Ltd

Location: Tower Works, Lincoln

Project value in excess of

£8.0 million

Project period

18 months

Bifrangi UK is a specialist hot steel forging company that manufactures and supplies parts to the UK and worldwide power generation industry including engine crankshafts for several recognised manufacturers.

The award of the contract to Henry Boot Construction was part of Bifrangi's major investment in its UK facilities and was secured following lengthy negotiations with the company which is based in Italy.

The works to the new 8,000m^2 Screw Press House included 12,000m^3 of bulk excavation, 1,100 Continuous Flight Auger (CFA) piles, a basement area to house the press and equipment and a heated ground floor slab capable of taking high loadings. 800 tonnes of steelwork for the frame were imported from Italy along with 14,000m^2 of roof sheeting and wall cladding.

See more about our latest projects on page 17

In February 2014 a 36 hour continuous concrete pour saw completion of the press block foundation

800 tonnes of steelwork used to form the new press house

"Staff at all levels of our organisation found the Henry Boot Construction site-based project management team knowledgeable, approachable and responsive. They dealt very efficiently with the inevitable challenges that accompany a project of this complexity. We have found Henry Boot Construction to be customer focused and very professional, with a very positive and welcome 'can do' attitude ingrained throughout the company"

Mr B Jackson General Manager, Bifrangi UK Ltd

Two 315 tonne parts of the press were made at Forgemasters in Sheffield and transported by road and river over a number of weeks, arriving in Lincoln very early one Sunday morning.

During the early part of 2014 the construction of the impressive 16 metre across by 5 metre deep reinforced concrete well was completed to house the 32,000 tonne Schuler Press from Weingarten in Germany. This press is unique in the UK and is one of only two of its kind in the world.

The construction of the press foundation block was the most technically demanding element of the entire project. Following months of complex design work between several companies across Europe, 500 tonnes of reinforcement was fixed over six weeks followed by the placement of 1,200m^3 of concrete which was poured continuously over a 36 hour period. This was considered to be one of the largest continuous pours in the UK this year.

It is anticipated that the project will be completed by early summer 2014 and that the press will be operational by the end of the year.

Added value and quality control

- Our team has maintained a flexible working relationship and approach for this complex scheme
- Additional extensive detailing works completed when Bifrangi's Italian designer needed guidance on UK specification and building control requirements
- Reprogramming of work sequencing to suit Bifrangi supplied materials whilst maintaining the master programme
- Continual monitoring of subcontractors and testing at every stage of the work to ensure that fine tolerances were achieved
- Achieved Considerate Constructors Scheme score of 37

Two 315 tonne parts of the press being transported to Lincoln via the River Humber

14,000m^2 of roof sheeting and wall cladding used to complete the press house

Live plant contracts per week (average)

c.2,750

Gross value of plant assets available to rent

£26.8m

A space age look to the 1,560m² office and workspace project for Manor Development Company in Sheffield

Construction continued

We have recently successfully completed the refurbishment of the Moorfoot Office Complex for Sheffield City Council and the Managed Workspace Development in Sheffield for the Manor Development Company. Construction has also recently commenced on two major projects for Henry Boot Developments Limited at Markham Vale with a cold storage unit for Holdsworth Food and a food production unit for Ready Egg.

In the health sector, we continue to undertake schemes under a long-term strategic framework for the Sheffield Teaching Hospitals at both the Northern General and Royal Hallamshire Hospitals. December also saw the completion of the refurbishment of a Grade II listed five storey mill to provide offices and clinical areas for the Pennine Property Partnership LLP in Huddersfield.

Our Civil Engineering division has seen steady growth following the targeted expansion of our client base. We have completed contracts for a new Lytag Process Plant at Drax Power Station for Fairport Engineering Limited, and a new rail unloading and asphalt production plant for Aggregate Industries UK Limited, in Sheffield. We have also commenced works at the Queen's Medical Centre in Nottingham to provide a new compound for BOC to increase the hospital's oxygen supply. Works have also commenced on the refurbishment of Lindholme water treatment works for Byzak on the AMP (Asset Management Plan) framework for Yorkshire Water. The YORcivils framework is also continuing to provide good opportunities as is the North Yorkshire Bridge framework. A steady workflow is also arising from our supply chain partner agreement with Amey on the 25 year PFI Sheffield Streets Ahead programme. We have successfully delivered 35 schemes in the year and have now commenced the second year of the programme where we continue to deliver a large number of relatively low value schemes. We anticipate this partnership will provide good growth opportunities over the coming years.

We have maintained our presence in the renewable sector delivering both ground and air source heat pump schemes for Berneslai Homes, Ampleforth College and the Castle Howard Estate. We have completed further photovoltaic projects for North Lincolnshire Council, North Lincolnshire Homes, South Yorkshire Passenger Transport Executive and Eastlands Homes. However, moving forward, we are cautious regarding the number of opportunities in this area, following the reduction in feed-in tariffs, the slow take up of the Green Deal and the proposed extension of the Energy Company Obligation until 2017.

Road Link A69

The 30 year PFI contract to maintain the A69 Trunk Road has now been in operation for 18 years and continues to perform well. Traffic volumes during the year increased by over 2%; however, the price adjustment indices were slightly lower than expected. Despite this, planned and proactive maintenance of the A69 road and bridges, including innovative maintenance techniques, continues to provide savings against the original long-term cost plan. Various road resurfacing and bridge maintenance works were completed during 2013, all in accordance with our long-term programme. 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

The year saw activity levels back to pre-recession levels with turnover increasing 12% over 2012. This increase was achieved through a combination of firmer hire rates and higher utilisation as a recovering construction industry, particularly house builders, sought plant in relatively tight supply.

Plant capital expenditure equated to 12% of original cost, exceeding our aim of 10% on a replacement basis. Over 30% of this was on access equipment as we introduced this line to our Derby depot. It is probable that capital expenditure will continue at this slightly elevated level as we grow our powered access fleet and replace older plant with more expensive Tier 4 environmentally efficient engines on large items of equipment.

All indications suggest that construction activity in 2014 will continue in line with last year and therefore the improvements in utilisation and efficiency achieved in 2013 should be consolidated moving forward.

"I enjoy my role at Banner Plant and the variety of work which I am involved in. There is never a slack moment and I always seem to be busy so the days seem to fly by. I especially like the fact that my colleagues are always willing to give advice and it is easy to get help from any of them."

Lewis Taylor is a Multi-skilled Apprentice and works for Banner Plant Limited, currently on the Accommodation side of the business. He has been with the Company for nearly two years.

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Q&A

Henry Boot
CONSTRUCTION

Simon Carr has worked with Henry Boot for over 25 years and he heads up subsidiary company Henry Boot Construction Limited.

Q: Looking at performance for 2013, what have been the main highlights?

Pleasingly we have increased both turnover and profitability during the year. This has been achieved through maintaining and establishing new partnering and framework arrangements coupled with maximising repeat business. One particular highlight immediately prior to Christmas, and a good way to finish 2013, was our success in securing the £30 million two year contract to redevelop Stocksbridge town centre. Notably we were one of the first construction companies to achieve Investors in Diversity Stage 2, have sent less than 10% of our waste to landfill, and have reduced our carbon footprint by 37%. We have also for the fifth consecutive year seen improvements in our health and safety performance and are now performing at the highest level scoring 100% on the Constructing Excellence Health and Safety KPI.

Q: What are your key market drivers of your growth?

The key market driver last year was the increase in market confidence that lead to an upturn in private sector investment in construction projects as a result of growth within the economy. Another key market, despite continuing cutbacks in overall public spending, is the investment made by Government, Local Authorities and universities in construction and infrastructure. We will continue to target suitable regional opportunities to build on an already considerable body of public sector frameworks.

Q: What are the main risks affecting your business?

Currently it is the continued reduction in public spending on construction projects. However, at the moment this is being more than offset by an increase in private spending particularly in industrial and retail developments. This in turn brings its own challenges with possible overheating in the supply chain and pressure on labour costs.

Q: In the short term, what are your priorities for 2014?

To ensure the business continues to be both profitable and competitive, not only financially but also in terms of the quality of delivery. Fundamental to this is the investment we make in training and the continuing hard work of our employees and their ability to deliver excellence in all aspects of construction, which is crucial in securing new work in a competitive marketplace. We believe that a healthy level of opportunities will be available in retail, leisure, industrial, social housing, custodial and education and as a consequence will be prioritising these sectors.

Q: What is the long-term strategy of the business?

To continue to align the business to the Government's Industrial Strategy, Construction 2025, the low carbon agenda and the emerging private sector opportunities enabling moderate growth. This will be supported by investment in both our people and new technology to ensure that we are the forefront of the construction industry. We recognise that Building Information Modelling (BIM), a key part of the Government's construction strategy, will play an increasing role in construction projects and as a consequence will refine our already advanced approach and execution strategy to BIM. We also expect, despite a poor take up of the Green Deal in 2013 and the recent reduction in the ECO targets announced in the Chancellor's Autumn Statement, that renewable technology together with energy/carbon saving measures will be an important market for the business in the medium to long term. We will also build on our Sustainable Business Strategy to align us with the requirements of public sector procurement and to support our talented and diverse workforce.

Financial review

The benefits of our clear and consistent long-term strategy have really shone through in 2013.

The benefits of our clear and consistent long-term strategy have really shone through in 2013. Economic recovery, particularly for the housing sector, is now well established, the debt and funding shackles have been relaxed, stronger economic recovery is supporting property development activity once again and these changes have a positive knock-on effect in our construction and plant businesses.

The key highlights of our financial performance in 2013 are:

- revenue increased by 49% to £153.8m;
- profit before tax increased by 37% to £18.4m;
- earnings per share increased by 23% to 8.6p;
- NAV per share increased by 6% to 148p per share;
- ROCE increased 213bps to 8.28%;
- dividends for the year increased 8.5% to a record 5.1p; and
- total shareholder return was 70p, a 52% return on the 135p opening share price.

Consolidated statement of comprehensive income

Revenue increased 49% to £153.8m (2012: £103.1m) primarily due to higher land sales and development segment sales at York and Bromley. Gross profit increased to £37.8m (2012: £27.5m); however increased pension costs (revised IAS 19 non-cash costs) of £1.1m, overheads of £0.7m and a net comparative property revaluation and sale profits reduction of £3.6m resulted in an operating profit increase of 34% to £19.0m (2012 restated: £14.2m). The revaluation loss was largely as a result of a lower valuation of our mixed-use property in Nottingham where a tenant, RSM Tenon Group PLC, entered administration, and we generated lower development profits than in 2012. Administrative cost increases of 4.9% to £13.9m were largely employment cost related. The increase in pension costs reflects the adoption of the revision to IAS 19 and is non-cash in nature.

The segmental result analysis shows that land development produced a significantly improved operating profit of £11.9m (2012: £2.3m). Property investment and development activities operating profit was reduced to £3.1m (2012: £7.4m), arising from the revaluation deficit at Nottingham and lower disposal profits. Construction division operating profits improved marginally to £8.2m (2012: £7.9m) helped by improved results in the plant hire business. These results show the benefits of a broadly based operating model where the deal-driven results in the strategic land and commercial development segments can vary from year to year but are supplemented by the relatively stable returns from the construction division.

Tax

The tax charge for the year was £5.1m (effective rate of tax: 28.0%) (2012 restated: £2.3m and effective rate: 17.4%). Current taxation on profit for the year was £4.0m (2012: £1.9m); the charge for the year does not benefit from the revaluation deficit or prior year adjustments as last year. The decrease in fair value of investment properties currently generates no tax credit, but means that any future revaluation gains will also not be taxable until the unrecognised losses have been utilised. The unrecorded deferred tax asset is approximately £1.4m (2012: £1.4m). The increased deferred tax charge arises from the reduction in the future reversal rate applied to the deferred tax asset brought forward to 20% (2012: 23%), resulting in the deferred tax charge for the year increasing by £0.4m to £1.1m. The lower deferred tax rate is that expected to be applicable when the actual tax asset is utilised.

Earnings per share and dividends

Basic earnings per share were 23% higher at 8.6p (2012 restated: 7.0p). The total dividend payable for the year has been increased by 8.5% to 5.10p (2012: 4.70p), with the final proposed dividend also increasing by 8.6% to 3.15p (2012: 2.90p) payable on 30 May 2014 to shareholders on the register as at 2 May 2014. The ex-dividend date is 30 April 2014.

Return on capital employed

Higher pre-tax profitability in the year resulted in improved return on capital employed from 6.2% in 2012 to 8.3% in 2013. We aim to grow this return over time to between 10% and 13% as we believe, in the longer term, this is the level of return achievable by a successful business in the property sector.

Financing and gearing

Although debt has increased after further investment in our strategic land portfolio, net finance costs remained stable at £0.8m (2012: £0.8m). Average borrowing rates were slightly lower than the previous year and any increase in borrowing cost continues to be offset by a reduction in the non-utilisation fee. It is anticipated that interest costs will remain similar in 2014, subject to a possible change in interest rates later in the year. We expect to see further investment in both our land and development assets partly offset by investment sales as we recycle capital into the next phase of anticipated development activity. Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties and disposal profits) to net interest, was 24 times (2012: 15 times). No interest incurred in either year has been capitalised into the costs of assets.

Our continued extensive interaction with the planning system saw further investment in our strategic land holdings and to a lesser extent in the property development portfolio. As a planned consequence of these commitments, total year end net debt rose to £36.1m (2012: £21.9m). Gearing on net assets of £193.5m increased modestly to 19% (2012: net assets £181.9m; gearing 12%). Total year end net debt includes £3.0m (2012: £2.8m) 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 continue to do so. It is our intention to renew this facility during 2014 in advance of the 2015 renewal date. Due to the uncertain timing of our forecast land and property sales during December the Group deemed it appropriate to apply for a short-term increase in our borrowing facility. On 25 November 2013 the Group's overdraft facility was increased by £5.0m for a period of three months. The eventual timing of the Group's land and property transactions during December resulted in no utilisation of this additional facility.

Financial Statements

Read our Financial Statements in detail

View our Financial Statements from page 67

Statement of cash flows

We continue to believe it is vital that we retain the flexibility to undertake developments and land deals without reference to specific funding from the lending institutions, which remain very cautious when lending against assets representing the speculative phase of the property cycle. We must therefore retain the ability to fund these from our own resources, reserving the property investment assets as the covenant support for our £50.0m of banking facilities. Forecast bank debt levels at the end of 2014 are expected to be slightly lower than 2013 as we start to realise some of our land investment through sales. During 2013, we increased operating cash flows before movements in working capital by 75% to £20.0m (2012: £11.4m) and, despite further investments in working capital of £18.5m (2012: £14.8m), we still achieved a positive change in cash generated from operations of £5.0m with an inflow in 2013 of £1.5m (2012: outflow £3.4m). Cash outflows from investing activities were slightly higher at £4.3m (2012: £4.1m) as we recycled £2.8m of investment property and property, plant and equipment sales into £7.2m of new property development and plant purchases. Dividends paid, including those to non-controlling interests, totalled £8.4m (2012: £7.6m), an 11% increase on the previous year as we achieved our aim to pay a pre-recession dividend level.

Statement of financial position

Investment property and assets classified as held for sale were valued at £142.9m (2012: £142.3m). The fair value of completed investment property including assets held for sale was £101.0m (2012: £98.0m) and the value of investment property under construction within investment property is £41.9m (2012: £44.2m) as we develop these assets into investment properties.

Intangible assets reflect the Group's investment in Road Link (A69) of £8.0m (2012: £9.2m). 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 (2012: £6.8m) and plant, equipment and vehicles with a net book value of £10.6m (2012: £9.8m); this increase arose from further investment in new plant. Non-current trade and other receivables have increased to £12.7m (2012: £11.5m) due to long-term payment plans on completed land sales. Given the potential land sales predicted for 2014 we anticipate that this debtor caption will increase next year. Non-current deferred tax assets reduced because of the lower IAS 19 pension deficit. In total, non-current assets have decreased slightly to £176.0m (2012: £186.6m).

Within current assets, inventories of £91.0m (2012: £81.6m) increased due to further investment in the land portfolio and our regeneration site in York. Trade and other receivables also increased to £43.1m (2012: £37.3m) from higher construction and land sales. Included within current assets held for sale is our property in Rotherham, let to B&Q. This sale is expected to complete in the first half of 2014. The increase in cash and cash equivalents arose because several transactions were concluded very close to our year end and the payments received could not be offset against short-term rollover loans which typify our facility drawdowns. In total, current assets increased to £160.2m (2012: £124.1m).

Current liabilities increased by £25.5m to £106.3m (2012: £80.8m) as the current portion of debt increased to £46.5m (2012: £19.2m). However, if we were to offset the cash current asset and the receipt of disposal proceeds on the asset held for sale, our current portion of debt would be broadly in line with the previous year. Trade payables reduced slightly to £50.2m (2012: £51.8m). Provisions reduced to £7.1m (2012: £9.4m) as amounts provided for the infrastructure obligations at Bridgwater and Cranbrook, Exeter, were utilised, as we satisfied the retained Section 106 planning obligations which were not passed onto the house builders when those sites were sold. Net current assets increased to £53.9m (2012: £43.3m). Distilled down, this increase is due to a further investment of £8.1m in land inventories. Non-current liabilities reduced to £36.4m (2012: £48.0m) after IAS 19 pension liabilities decreased to £20.1m (2012: £30.5m) after another reasonably strong performance from the scheme's assets and the introduction of RPIJ as the measure of inflation moving forward.

Net assets increased by 6.4% to £193.5m (2012: £181.9m) as the decrease in the pension deficit and retained profits exceeded the value of dividends paid out. Net asset value per share increased 6% to 148p (2012: 139p).

Pension scheme

The annual IAS 19 valuation of the defined benefit pension scheme showed the deficit reducing to £20.1m (2012: £30.5m) at the year end. The scheme assets performed well in the year with an overall return of 9% and for the sixth year in succession achieved a better return than expected on scheme assets. The £9.5m gain on scheme assets goes a long way to explaining the decrease in the deficit since liabilities were relatively stable across both years under review. The discount rate used in 2013 was very slightly higher at 4.5% (2012: 4.45%) and RPI inflation increased to 3.0% from 2.75%. The deferred tax asset related to the deficit was £4.0m (2012: £7.0m). Adding back this net deficit of £16.1m (2012: £23.5m) to net assets, the 2013 deficit equates to 8% of equity shareholders' funds (2012: 11%). The triennial valuation at 1 January 2013 has concluded and the recovery plan contributions remain as agreed at the previous triennial valuation date, and will continue at £3.8m for the latest recovery period. 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. Our Auto-enrolment staging date is in the first half of 2014 and because many employees are already within an approved scheme we do not envisage that the additional Auto-enrolment pension costs in 2014 will be material to the Group results.

In the current year the Group has adopted IAS 19 (amended 2011) which has resulted in the prior year restatement.

Jamie Boot
Group Managing Director
17 April 2014

John Sutcliffe
Group Finance Director
17 April 2014

Key performance indicators

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 key performance indicators used by the Board are as follows:

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)

£18.4m +37%

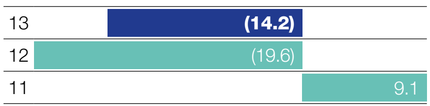
Objective To increase profit levels over time.

Performance 37% increase.

Comments Higher land sales and profits in 2013. 2014 looks positive in terms of land and property development.

Cash generation (£m)

£(14.2)m -27.5%



Objective To monitor cash generated over time.

Performance Cash outflow £14.2m.

Comments Higher debt as we continue to reinvest in the portfolio of land and property development assets.

Dividends per ordinary share (p)

5.10p +8.5%

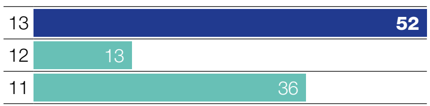
Objective To generate growing shareholder returns over time.

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

Comments 8.5% increase to 5.10p as we move dividends ahead of previous record of 5.00p.

Shareholder return (%)

52% +39ppt



Objective To generate growing shareholder returns over time.

Performance 2013 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 and 2013 of £2.00.

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

See more about our strategy on page 6

See more about our risks and risk management on page 26

Gearing levels (%)

19% +58%

13	19
12	12
11	1

Objective To monitor levels of cash required over time.

Performance 58% increase.

Comments This still prudent gearing level gives us flexibility to reinvest in land sites and property development. 2014 should see levels fall slightly.

Debt levels (£m)

£36.1m +65%

13	36.1
12	21.9
11	2.3

Objective To monitor levels of debt over time.

Performance Cash reinvested.

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

Return on capital employed (%)

8.3% +34%

13	8.3
12*	6.2
11	7.3

Objective To increase returns on capital employed over time.

Performance Return better and sufficient to pay tax and dividends and contribute to retained earnings.

Comments 2014 targets a higher level of return as land sales increase. Long term we view 10–13% as average return.

* Restated.

Net assets (£m)

£193.5m +6.4%

13	193.5
12	181.9
11	184.8

Objective To grow the asset base over time.

Performance 6.4% increase.

Comments Increased due to retained profits and fall in pension deficit which was affected by the rise in bond yields and use of RPIJ.

NAV per share (p)

148p +6.5%

13	148
12	139
11	142

Objective To increase shareholder value over time.

Performance 6.5% increase.

Comments No change to share capital, therefore, benefits from asset gain.

Pension scheme deficit (£m)

£(20.1)m +34%

13	(20.1)
12	(30.5)
11	(22.6)

Objective To reduce the pension scheme deficit over time.

Performance After attributable deferred tax the deficit represents circa 8% of net assets, a level we are comfortable with. We aim to manage the position to keep a low level of deficit rather than create a scheme surplus.

Comments Increased bond yields and the use of RPIJ in future had an impact on the Scheme of circa £8.1m. Yet again, our assets performed well during the year, returning 9% against a long-term requirement of 5%.

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 number of allocated sites and changes to those allocations, 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.

See more about our key resources on page 7

See more about our financial review on page 22

Risks and risk management

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.

See more about our strategy on page 6

Read more about our Governance on page 38

See our KPIs on pages 24, 25, 36 and 37

Our governance framework

Business units	Managing Directors	Audit Committee	Group Board
Risk assessment	Review, risk assessment and reporting	Independent review	

Day-to-day operations

Policy and procedure manuals cover major areas of their operations, including safety, purchasing, estimating, marketing, production and quality.

Business procurement

Development appraisals, land purchases, options, planning promotion agreements and construction contracts above a certain value require the authority of the Executive Directors to proceed.

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.

Internal framework

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.

Reporting framework

The Board monitors the risk and associated controls over financial reporting processes, including the consolidation process.

See our key resources on page 7

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 and distribution units 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.

Risk and description	Mitigation
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 9,700 acres with aspiration to grow in excess of 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 that demonstrates success. • Long-established contact base.
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 over the long term. • 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 to only 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. • We recognise cyclicality in our long-term plans and operate with a relatively low level of debt. • Greenfield land is probably the most sought after land to build upon. • Long-term demographics show growing trend; therefore demand for land will follow. • House builders have recovered well from the last 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 tradable if required. • We have a record of recycling assets into funding for new developments.
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 over 20 times, gearing relatively low and therefore significant scope to deal with interest rate rises.
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 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. • Group and Executive are very mindful of overtrading into the recovery. • As a PLC access to equity funding is available.

Risks and risk management continued

Risk and description	Commentary and mitigation
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 in the 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 land and contractual agreements ensure land can be brought to market at an appropriate time. • Long-established successful operator. • Inventory of over 130 sites in progress throughout the UK. • Sites are typically greenfield and of a high quality.
Significant changes 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 we are now seeing strong markets in the south of England, these trends are now showing signs of moving to other areas of the country. • 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.	• 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 key individuals and staff.
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 gilts will provide a cushion should rates rise. • Risk mitigated by move to diversified growth funds on around 20% of assets, along with 9% 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.

Risk and description	Commentary and mitigation
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 our 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.	• 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.
The referendum on Scottish independence gives rise to uncertainty over the economic, taxation and legislative impact of a vote for independence. We have £16m of assets in Scotland which could be affected by this change.	• Planning system in Scotland is already different and we are experienced operating in this environment. • We have offices and staffing in Scotland and therefore are not required to 'set up' if the change takes place. • We see the potential change as evolutionary rather than revolutionary and will adapt to any change positively.
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.

See more about our strategy on page 6

See more about our KPIs on pages 24, 25, 36 and 37

Corporate responsibility

Our aims

01

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

02

To **support our people** in realising their full potential.

03

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

04

To take responsibility and reduce our **impact upon our environment.**

See our key sustainability performance indicators on pages 36 and 37

Our health and safety

Health and safety continues to be given the highest priority within Henry Boot PLC from Executive Board level down; we have developed practical and safe systems of work which is borne out by the Company's exemplary safety statistics. Health and safety is of paramount importance to us: everything we do is designed to drive best practice and provide a healthy, safe working environment for everyone involved with our businesses; we are fully committed to ensuring health and safety is the number one priority.

Our performance

During 2013 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 238 (2012: 219).

We continued to benchmark our health and safety performance against Constructing Excellence Health and Safety Key Performance Indicators (KPIs); we have succeeded in a further reduction in our accident frequency rate (AFR) to 0.06 per 100,000 hours worked including our subcontractors (2012: 0.20). For the third successive year our construction related AFR for our directly employed staff is zero.

We have continued to ensure compliance to our internal management systems and external benchmarks by a series of internal audits from our Group Safety, Health and Environmental Manager and continue to demonstrate Board commitment to this key area through regular Director safety visits in which in-depth testing of our commitment is made.

We have continued to ensure that all employees take part in regular, comprehensive training, tailored to their specific job and meeting all industry requirements. Our focus in 2013 was on Hallam Land Management Limited and Henry Boot Developments Limited and in particular the issues and risks associated with their businesses; this was once again facilitated and presented by a partner of Nabarro LLP's Health, Safety and Environment team.

We maintained accreditations to BS OHSAS 18001 (occupational health and safety), ISO9001 (quality management) and ISO14001 (environmental management) for our construction activities by the implementation of our integrated management system.

Our commitment to the education of our own employees through direct training and tool box talks and to the communities in which we work have continued throughout 2013. We have again spent time in numerous schools and local groups spreading the message of safety within our businesses; by engaging with our communities we have seen a greater understanding of our work.

Our achievements

For the fourth consecutive year we have celebrated the achievement of a RoSPA Gold Award for Health and Safety; this continued achievement celebrates 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 (NFB) Annual Awards for the second year, this award recognises best practice in the industry and a commitment to achieving the highest possible standards of health and safety.

Henry Boot Construction Limited came out on top in the Health and Safety category at the Celebrating in Construction in South Yorkshire Awards (CCISY) in 2013, underlining the company's commitment and focus to delivering the very highest levels of health and safety in every project it undertakes.

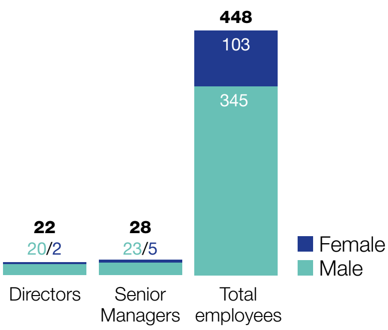
We continue to be part of the CITB ConstructionSkills Health Safety and Environment Product Review Working Group, representing in our own right and also on behalf of the NFB. The purpose of the Working Group is to advise on the content and format of CITB ConstructionSkills products and to influence the content of publications which are used UK wide.

Thanks from Reclaim

Health and safety engagement with local schools

Painting and decorating at Tickhill Community Centre

Gender diversity



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. As we begin to experience a recovery in our markets, we are investing to equip our businesses to meet the challenges of the future; the skills of our employees and wider supply chain underpin our ability to deliver successfully time after time.

During 2013 we directly employed an average of 450 people (2012: 438); we value the experiences our employees bring and over 15% of our workforce have over 20 years' service.

Gender diversity

As at 31 December 2013, we employed 448 people comprising of 345 males and 103 females. We have 22 Directors (20 male and 2 female) and 26 Senior Managers (23 male and 5 female).

We want to give all our employees the opportunity to progress with Henry Boot. We take great pride that a significant number of our employees started their careers with Henry Boot and have progressed through our business.

Human rights

We are supportive of all fundamental human rights however the Group does not have a specific human rights policy at present. We do apply human rights considerations to the way we do business, for example, through our practices to equal pay, health and safety, supplier and anti-bribery and corruption policies. The Group will continue to review whether a specific human rights policy is required in the future over and above our existing policies.

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 1,306 days of training in 2013 (2012: 1,085 days) the equivalent of 2.90 days per employee (2012: 2.55 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 reduction in the cost per capita spent to £102 (2012: £131).

During 2013 our apprentice, trainee, graduate and internship numbers increased by three; we currently have 24 apprentice, trainee, graduate and internship 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.

We continued through our network of Construction Ambassadors to share our experiences of working within the built environment, through school visits, roadshows and work shadowing. We again participated in TeenTech which is a platform to inspire youngsters to consider careers in construction and also the importance of STEM (science, technology, engineering and maths). Our employees assisted Futureworks create and deliver a 'Crystal Maze' style challenge aimed at inspiring young people in Manchester. The TeenTech event at Manchester University saw teenagers collecting pieces of jigsaw from five different zones, all linked to different areas of the curriculum, to complete a puzzle in the fastest time to win a prize.

Our achievements

We were successful in achieving the Leadership & People Award at the Constructing Excellence in Yorkshire and Humber Awards 2013. These awards highlight best practice in the construction industry across the region; it was felt through the commitment we have made to a clear and concise framework of job roles and training that we had delivered a number of improvements and enhancements through clear leadership in addition to our continued focus on achieving excellence in health and safety.

Ben Pearson, Assistant QS at Henry Boot Construction Limited, won a coveted Chartered Institute of Building (CIOB) Queen Elizabeth II Jubilee Fund Scholarship. Granted for academic excellence and leadership skills to bright, motivated and ambitious individuals who show potential to succeed in the construction industry, scholarships are awarded to one student from each CIOB accredited university. The award is intended to provide financial study support during the student's final year of study. Ben, who was on sandwich placement in 2012, is currently finishing his final year at Sheffield Hallam University and hopes to join the Company on a full-time basis upon graduation.

During 2013, Henry Boot Construction Limited was awarded recognition by Investors in Diversity (Level 2); having achieved Level 1 in 2011 the Company worked hard to facilitate a cultural change within the business to focus on equality, diversity and inclusion and underlines the commitment of the Group to be a modern and inclusive business to work for and with.

Corporate responsibility continued

Case study: Sheffield Children's Hospital – Ryegate Children's Centre

Winner NFB AWARDS 2013

Paralympic swimmer Oliver Hynd opens the Ryegate Children's Centre with representatives of Henry Boot Construction Limited and Dransfield Properties

NFB Corporate Social Responsibility Project of the Year – Sheffield Children's Hospital – Ryegate Children's Centre
2013 saw the culmination of months of hard work by our employees and employees of local developer, Dransfield Properties.

Part of the Sheffield Children's Hospital, the Ryegate Children's Centre was originally opened in 1963; the Centre is used for over 3,000 occupational therapy and hydrotherapy sessions per year.

The old hydrotherapy pool which served children with special needs had not been refurbished in over 50 years and was inefficient and no longer fit for purpose. There were privacy issues for families with regard to changing facilities as this was done behind a plastic curtain. The pool itself was a raised pool which meant that patients, carers, siblings had to walk up and down steps to gain access to the pool. This could be very problematic. Heating the room was an issue as there was no central heating and the lighting was inadequate. The pool leaked and there were issues with the boiler which all meant that the centre had to close on occasions for extended periods of maintenance.

The Centre was completely redesigned and a brand new hydrotherapy pool was installed, along with a changing area for both staff and patients. The new pool and equipment has made a dramatic difference to the lives of the families who use the pool; accessibility is improved because the pool is sunken, the room is bright and in keeping with the rest of the Centre. The new changing rooms and shower facilities now give privacy and the improved lighting is designed to help the children relax and stay calm.

Henry Boot Construction Limited donated free management and labour costs and utilised its extensive local supply chain who have all contributed by providing time and materials for the project. The Sheffield Children's Hospital was the Company's chosen charity for 2012 when we raised £3,800 at our 125th anniversary dinner and was supplemented by £2,300 raised by employees who took part in the Three Peaks Challenge.

A volunteer weekend in October 2012 got the works off to a great start. We were joined by our own employees and Dransfield Properties along with other local businesses, staff and members from The Children's Hospital Charity including parents and staff at the Ryegate Children's Centre to help demolish the existing facilities and to make way for the new sunken pool. Following on from this initial volunteer weekend a further 42 volunteer days took place.

Artfelt, part of The Children's Hospital Charity, created art pieces to make everyone in the hospital, including staff, feel as good as possible; they made sure that the space was a holistic and calming environment for all of the young people.

The pool was officially opened in March 2013 by Paralympic swimmer Oliver Hynd; the feedback from the staff and families using the pool since it opened has been fantastic. We are very proud to have been involved in such a worthwhile project.

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 important 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 become a Trust Partner of the Meadowhead Community Learning Trust based at a comprehensive school local to our Dronfield office. Through this we hope to establish links with the school to encourage pupils to consider future career paths in the built environment.

We have continued to work alongside Sheffield Hallam University and have hosted two placement students in 2013 in our Finance and IT Departments, this is an ongoing partnership which will continue year on year. We have also hosted a group of Civil Engineering students from the University of Sheffield at our Bifrangi site in Lincoln.

In 2013, we continued to be active in the communities in which we operate; some of the projects and fundraising we have been involved in over the last twelve months are:

- Established the third Henry Boot Endowment Fund with South Yorkshire Community Foundation with a donation of £17,600; through matched funding this will increase to £25,000.
- Redecorating a community centre kitchen and main hall, as part of our commitment to sustainability and improving local facilities for residents. The rooms in Tickhill Community Centre, near Doncaster, were brightened up by our decorators with help from St Leger Homes of Doncaster staff and local residents, who also took part in a DIY skills workshop delivered by Henry Boot Construction Limited.
- Continued 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 (see case study).

We have donated £13,581 to charities nominated by our employees through our Give As You Earn Scheme (2012: £15,344), in 2013 we donated in excess of £30,902 to a varied range of causes both locally and nationally (2012: >£15,000). Charities supported in 2013 included Cutlers Hall Preservation Trust, The Princes Trust, Sheffield Autistic Society, Derbyshire Wildlife Trust, Yorkshire Wildlife Trust, Helen's Trust, Variety Club and Museum Sheffield.

Our achievements

We were delighted to win the National NFB Award for Corporate Social Responsibility Project of the Year in recognition of our contribution to the redevelopment of the Ryegate Children's Centre. An integral part of the Sheffield Children's Hospital, the Centre opened in 1963 and offers a range of vital occupational therapy and hydrotherapy services for disabled children.

We continued our Associate membership of Considerate Constructors and saw a continued upward trend in or scoring. Our highest scores in 2013 were recorded at Acre Mill, Huddersfield and Northern General Hospital CSSD Unit where a score of 40 out of a possible 50 was achieved.[1]

We celebrated another successful year at the National Considerate Constructors Scheme Awards picking up a further six national awards – two Silver Awards and four Bronze Awards.

[1] The Considerate Constructor Scheme restated its scoring mechanism in 2013 and increased the maximum achievable score from 40 marks to 50 marks.

Cheryl Ingham

is an Accountant at Banner Cross Hall, Sheffield working for Henry Boot PLC and has been with the Company for seven years.

"When I had my interview for the role of trainee accountant in 2007, I left feeling like this was the only place I wanted to work. I remember receiving the phone call from HR offering me the job. I had never been so happy! Needless to say I accepted.

Over the years Henry Boot has invested a lot of time and money in supporting me not only through my accountancy qualification but also through my recent maternity leave. Having recently returned from my maternity leave, I have come back not only to my own job, but have been given more responsibility within the accounts department and have been given the brilliant opportunity of producing the greenhouse gas section of the Strategic Report. I really enjoy my job; every day is different and presents a new challenge.

Before I worked for Henry Boot I never knew what it is like to wake up and actually be happy about going to work. Henry Boot is a brilliant company to work for; they really invest in their staff and provide a relaxed, friendly atmosphere to work in that has a real family feel to it. I honestly couldn't imagine working anywhere else."

Corporate responsibility continued

Case study: Henry Boot Endowment Funds, South Yorkshire Community Foundation

In 2013 The Henry Boot Endowment Funds assisted FareShare Yorkshire (left) and Re-Read (right)

The Group has been working with the South Yorkshire Community Foundation (SYCF) for over 20 years to provide support for the local communities across South Yorkshire. In 2013, as part of our CR strategy we set up our third Henry Boot Endowment Fund, which is managed on our behalf by SYCF; our investment in 2013 of £17,600 plus matched funding, which increased this to £25,000, takes our total investments across our three funds to in excess of £130,000.

SYCF was established in 1986 as a grant making trust and is committed to positive social change through community giving; it provides a service to those who are interested in making a difference locally, helping companies and individuals to achieve their charitable wishes and building stronger communities for the benefit of South Yorkshire.

Henry Boot PLC has established Henry Boot Charitable Endowment Funds at the SYCF to create a lasting legacy for South Yorkshire's community organisations; the capital is invested and by using income earned the fund will continue to provide grants to many organisations year after year.

The Henry Boot Charitable Endowment Funds has made 16 grants to help local organisations since 2010; some of the organisations benefiting from donations are:

FareShare Yorkshire: this charity re-distributes quality surplus food donated by the food industry that would otherwise go to landfill, to a network of community food members who provide meals and food to vulnerable people. They take deliveries of food supplies every day, store them in their depot and deliver once a week to the member organisations which include homeless drop in centres, women's refuges, food banks and school breakfast clubs. Over 100 community projects are currently being supported with this service. The grant helped FareShare to continue its service in South Yorkshire, which is experiencing a large increase in demand.

Creative Potters: this volunteer led group runs weekly pottery sessions for adults who experience mental health problems. Mental ill health is still a generally taboo subject in society, so sufferers tend to hide their problems from others to avoid stigmatisation. It can cause relationship breakup, loss of employment and lack of acceptance from others. This can lead to lack of opportunities, poverty and homelessness. The grant helped to support the weekly sessions to ensure the well-being of people with mental health issues – a tortoise called Hope was created to represent the slow journey to recovery.

Barnsley Churches Drug Project: the project provides a drop-in service three times a week for homeless people and substances users in Barnsley. It is a small local charity with one part-time co-ordinator and 36 volunteers, who provide much needed nourishment and a listening ear and advice to those in need of more help. It aims to promote well-being and self-worth and to signpost to additional support when required. The grant helped to pay the rental costs of the Church Hall to keep the project running.

Oughtibridge Brass Band: a community band offering musical tuition and opportunities for all ages, who wish to maintain the tradition and heritage of brass band music by public performance. The grant helped to upgrade an existing band room which will be mainly used by the young people.

Re-Read: a new social enterprise that buys books at a low cost and sells through online sales platforms. Its aim is to make quality books available to disadvantaged children and communities free of charge. It works with other agencies, schools, children's centres to enhance the literacy and educational achievements of young people.

Our environment

We continue 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

2013 has again seen us make improvements in our desire to achieve a sustainable and green business model.

We have again been recognised by Business in the Community (BITC) Yorkshire and the Humber as achieving platinum status, achieving a rating of 97% when measured against its environmental index, an increase on last year's assessment (2012: >95%); we continue to be listed as one of the top companies in the region on the Business in the Community Environmental Index. In addition we were recognised for the second consecutive year as a Climate Change Champion thanks to our robust environmental management credentials and efforts to reduce carbon.

While waste cannot be eliminated, its environmental impacts can be reduced by preventing waste wherever possible. 2013 saw a further years progress in reducing waste, with our recycling rate increasing again to 94% (2012: 93%).

Our renewables division has continued to work collaboratively with community groups to provide sustainable energy, energy efficiency and carbon reduction. In 2013 we donated and installed a solar PV system for Sheffield-based charity, Reclaim. Reclaim provides support for adults with learning disabilities to help them achieve their potential in all aspects of life including work, leisure and social activity within the community. It is anticipated that the system will enable Reclaim to save both money and energy as the system has the potential to produce 1771 kWh of free electricity per annum and offset 915kg of CO_2 per annum.

Through our social housing contracts we have delivered advice and guidance to tenants as part of our drive to reduce the environmental impacts of our construction activities.

We have continued in our drive to reduce our carbon footprint; our employees are working hard to reduce the Group's carbon footprint and reduce our energy levels to a more sustainable level of consumption. We have a duty to ensure that we are as efficient as possible to provide the best possible service to our customers while reducing unnecessary negative environmental impacts.

Our achievements

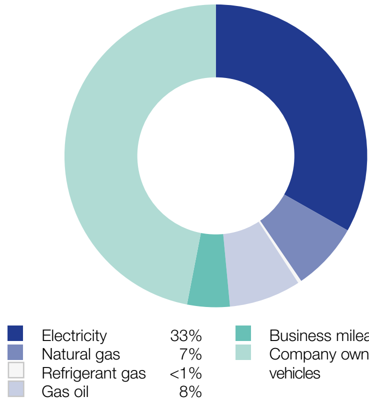
We were successful again in the CIOB (East Midlands) Awards where we won the Environment Award; in addition we were highly commended at the Greenbuild Awards for our domestic retrofit of ground source heat pumps for Yorkshire Housing.

Greenhouse Gas Reporting

Our carbon footprint

Henry Boot Group CO_2e footprint by source 2013

Our greenhouse gas emissions for the year ended 31 December 2013 were calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government GHG Conversion Factors for Company Reporting 2013. The calculation incorporates the six Kyoto gases, including carbon dioxide, methane, nitrous oxide and hydrofluorocarbons (HFCs), and reports them in tonnes of carbon dioxide equivalents (CO_2e).



Henry Boot Group CO_2e emissions	2013 Tonnes
Scope 1: Combustion of fuel and operation of facilities	2,370
Scope 2: Electricity, heat, steam and cooling purchased for own use	1,215
Total direct emissions	3,585
Total direct emissions per employee*	8.0 tonnes CO_2e
Scope 3: Upstream and downstream indirect emissions	1,016
Total emissions	4,601
Total emissions per employee*	10.2 tonnes CO_2e

* Employee numbers are based on the monthly average for the year.

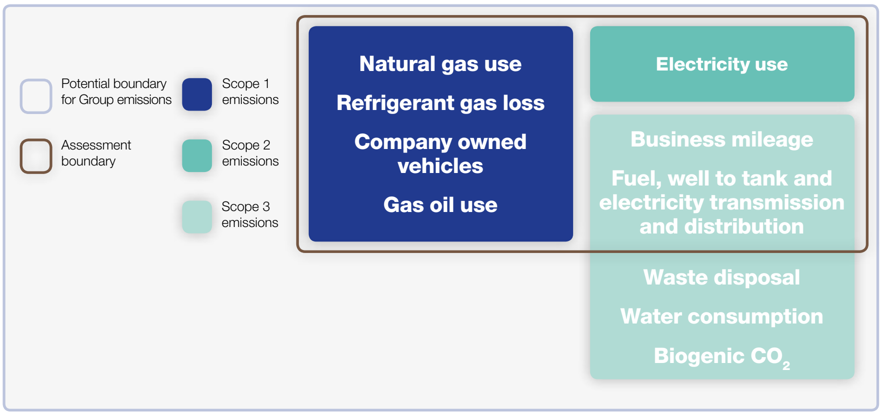
Carbon emissions by segment

Henry Boot Group CO_2e emissions	2013 Tonnes of CO_2e	2013 Intensity ratio Tonnes of CO_2e	Intensity basis
Property investment and development	1,022	2.04	per 1,000 sq ft of investment property with communal areas
Land development	122	4.21	per employee
Construction	3,254	41.44	per £1m of turnover
Group overheads	203	3.98	per employee
Total gross controlled emissions	4,601		

Methodology

Using the operational control consolidation method we have reported on all scope 1 (direct) and scope 2 (indirect) emissions required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and have voluntarily included some of our scope 3 emissions. These sources fall within our Consolidated Financial Statements. We do not have responsibility for any emission sources that are not included in our Financial Statements.

Emissions relating to subsidiaries for which we have operational control have been included at 100% and emissions relating to joint ventures for which we have 50% operational control have been included at 50%. This is consistent with the treatment of subsidiaries and joint ventures within our Financial Statements.



Corporate responsibility continued

Key performance indicators

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

Accident frequency rate (AFR)
(per 100,000 hours worked)

0 -0%

13	0
12	0
11	0
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)
(per 10,000 hours worked inclusive of sub-contractors)

0.06 -70%

13	0.06
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 year on year reduction of 70%.

Personal development (days)

1,306 +20%

13	1,306
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 20% increase in the number of training days delivered over the period.

Reportable accidents

1 -66%

13	1
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. 2013 saw a further 66% reduction in the number of reportable accidents.

Employee profile

450 +2%

13	450 (347 males/103 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 underrepresented groups into the industry.

BITC Environmental Index

97% +2%

13	97%
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 2% increase on the 2012 score. Due to our consistent achievement and improvement in rating, we are now classed as platinum status which puts amongst the top rated companies in Yorkshire & the Humber.

Considerate Constructor Scheme

36.1 +4%

13	36.1[1]
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.

[1] The Considerate Constructor Scheme restated its scoring mechanism in 2013 and increased the maximum achievable score from 40 marks to 50 marks.

Recycling (diverted from landfill)

94% +1%

13	94%
12	93%
11	93%
10	92%

Commitment: Our Environment

Objective: To reduce the amount of spoil going to landfill by recycling, reusing or upcycling.

Comments: A further increase on the previous year's achievement. We continue to improve our methods of work to try to reduce this number further.

Chairman's introduction

John Brown
Chairman

I am very pleased to once again introduce the reporting of our corporate governance arrangements for this year and to be able to explain their importance and how these arrangements work for the benefit of the Company and its shareholders.

Henry Boot PLC, a premium listed company on the London Stock Exchange, is subject to the UK Corporate Governance Code (the Code). The Code encourages me, as Chairman, to report personally on how its principles relating to the role and its effectiveness of the Board have been applied.

The Board is committed to ensuring that it provides effective leadership and demonstrates high ethical standards as one demonstration of it adding value to the Company. One of the ways in which the Board achieves this is by maintaining high standards of corporate governance principles and practices in order to facilitate the future success of the Company and sustain this over time.

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 Group Managing Director. The Non-executive Directors challenge management and contribute to strategy. Board composition is extremely important and there are three main requirements: the balance of skills and experience, maintaining a strong level of independence and objectivity, and ensuring that all members have sufficient knowledge of the Company and the context in which we operate. Appointments to the Board will always be made on merit against objective criteria and the Board strongly supports the principle of boardroom diversity. The Board, its Committees and individual Directors are subject to annual performance evaluation and, as we act in shareholders' interests, all Directors are subject to re-election by shareholders at intervals of no more than three years.

The Board considers that this Annual Report is fair, balanced and understandable.

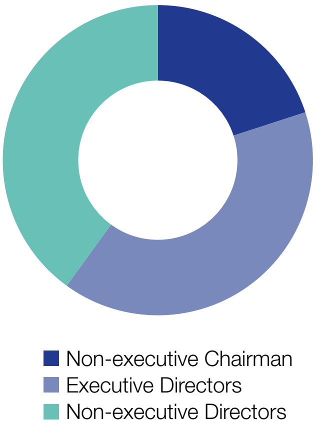
The remainder of this report contains the narrative reporting variously required by the Code, the Listing Rules and the Disclosure Rules and Transparency Rules which I hope you will find of interest.

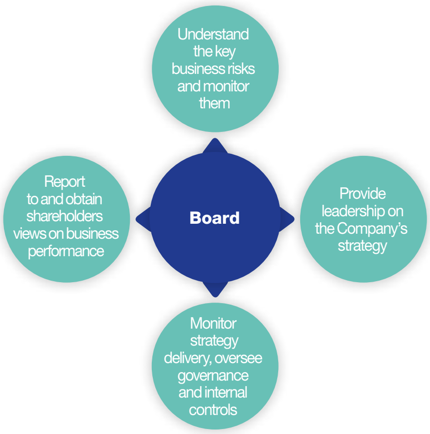
Yours faithfully

J E Brown
Chairman
17 April 2014

Corporate governance statement

Board composition





The Board continues to support and remains committed to achieving and maintaining a high standard of corporate governance. It believes that such governance must reflect the unique standing of the Company and the composition of its shareholders, many of whom have strong family ties to the Company, as well as other stakeholders' interests and, above all, that governance 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 September 2012 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 Code recognises that not all of its provisions are necessarily relevant to smaller listed companies and the Code states that departures from its provisions should not be automatically treated as breaches of the Code. The Directors believe that the Code is correctly applied as and where relevant to the Company and are satisfied that in areas of departure from the Code the departure is for good reason.

In applying the principles of good governance, including both the main principles and the supporting principles, the policies adopted by the Board therefore follow the Code's guidelines insofar that they assist the overall well-being of the Company and its shareholders' interests. The Board's approach is pragmatic where adoption of all the supporting principles of the Code is not an objective as such. Compliance with good reason and departure with good reason are discussed and agreed. Further explanations of how the main principles and the supporting principles have been applied are set out on pages 40 to 42.

The Board

The Company is led and controlled by a Board of Directors which is collectively responsible for the continued success of the Company and our key objective is to maximise long-term shareholder value.

The Board consists of five Directors and their biographical summaries appear in the Strategic Report on page 8. Two of the Directors are executive and the remaining three, including the Chairman, are Non-executive. All Directors served throughout 2013.

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 appropriately managed. It sets the Company's strategic aims, reviews management performance and ensures that the necessary financial and human resources are in place, and will continue to be in place for the Company to meet its objectives, recognising the importance of safety, environmental and social factors. The Board also sets the Company's aims and values and ensures that its obligations to its shareholders and others are understood and met. Day-to-day management of the Company's subsidiaries sits with their respective Board of Directors, each led by a Managing Director.

Governance
Corporate governance statement continued

The Board continued
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. The Board is responsible for:

- strategy and objective setting;
- capital structure and ensuring funding adequacy; and
- effective internal controls.

At its regular Board meetings there is a series of matters that are dealt with, including a health and safety review, a finance review, including pensions, operational reviews on all the main trading subsidiaries and a secretarial review encompassing corporate governance, risk, shareholder matters, legal 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, accompanied by the Company Secretary. Operational decisions affecting each subsidiary are taken by the individual subsidiary Boards at their meetings.

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

The Company Secretary is responsible for information flows between the Board, its Committees and the Boards of subsidiary companies. Formal inductions for new Directors are being developed, along with continued professional development training. The Company Secretary also ensures procedures, regulations and law are followed and advises the Board on governance issues.

Board effectiveness
The roles of the Non-executive Chairman, J E Brown, and the Group Managing Director, E J Boot, are clearly defined and they act in accordance with the main and supporting principles of the Code.

The split of responsibilities between the Chairman and the Group Managing Director are summarised opposite.

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 Chairman resigned as a Non-executive Director of Norcros plc on 24 July 2013 and his other significant commitments can be found in his biography on page 8.

The Chairman is in regular contact with the Group Managing Director to discuss current matters and has visited Group operations outside the scheduled Board meeting calendar, to meet subsidiary company Directors, managers and stakeholders.

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 62) and is not regarded as an independent Non-executive Director.

A key principle of the Group's Equality and Diversity Policy is that the Nomination Committee of the Board will always appoint on merit.

The Board recognises the benefits of diversity and we consider that diversity includes (but is not limited to) personal attributes, gender, ethnicity, age, disability and religious beliefs. Our aim is to promote equality, respect and understanding and to avoid discrimination.

Whilst we value the recommendations of the Davies Report, we do not have a specific objective for the number of female Directors. We do not currently have a female main Board Director and we are committed to ensuring that appointments made to the Board, and at senior management level, are made on merit.

The Board believes that setting specific targets for the proportion of women on the Board may lead to recruitment decisions being made which are not aligned with this key principle.

The Nomination Committee will ensure that it only uses executive search firms which have signed up to the voluntary Code of Conduct addressing gender diversity and best practice, that females are given the same consideration and opportunity as male applicants and that gender diversity is considered specifically when drawing up a list of potential candidates.

Conflicts of interest
Under the Companies Act 2006 a director must avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Company's Articles of Association enable the Board to authorise Directors' conflicts of interest. In order to address this issue, conflicts of interest are reported by Directors to the Company Secretary and in turn through the Board meeting processes. The Board considers a register of interests and potential conflicts of Directors and gives, when appropriate, any necessary approvals.

There have been no conflicts of interest reported to the Board during the year.

The roles of the Non-executive Chairman and the Group Managing Director

Chairman: John Brown	**Group Managing Director: Jamie Boot**
Runs the Henry Boot PLC Board and has overall responsibility for the management of the Committees (Audit, Remuneration and Nomination) of the Board Has an oversight role and is available to all shareholders	Runs the Company and its subsidiaries Acts as Chairman of the subsidiaries and attends all the subsidiary Board meetings Has overall responsibility for strategy, annual budgets, interaction with the City and market forecasts Allocates responsibilities for the running of subsidiary companies, finance, company secretarial, legal, insurance, HR and IT to the department heads or subsidiary Managing Directors as applicable Day-to-day operational management is devolved to management within each subsidiary business

"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."

How we assess and refresh the Board and its Committees

There are three ways in which we ensure that Directors continue to provide suitable leadership and direction to the Company: performance evaluation, succession planning, and annual re-election by shareholders.

Performance 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 2013.

Succession planning

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and ensuring that the balance of knowledge, skills and experience are right for the Group. The Committee is also responsible for long-term succession planning at both Board and key senior management level. The Board also recognises the importance of diversity and is comprised of members with a wide range of experience from a variety of business backgrounds.

Annual re-election by shareholders

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 Annual General Meeting (AGM) following their appointment. The Nomination Committee has conducted a formal performance evaluation of the Non-executive Director seeking re-election and has concluded that his performance continues to be effective and that he continues to demonstrate commitment to the role. The Committee is also satisfied that the backgrounds, skills, experience and knowledge of the Company of the continuing Directors collectively enables the Board and its Committees to discharge their respective duties and responsibilities effectively.

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 and committee meetings

Throughout the year, there were seven Board meetings attended by all Directors. In addition, the Board must also delegate some of its duties and powers to committees to deal with specific business needs. The Board has formally constituted Audit, Remuneration and Nomination Committees. Each committee and its members are provided with accurate, timely and clear information and sufficient resources to enable them to undertake their duties. Two Audit Committee meetings, one Nomination Committee meeting, one Remuneration Committee meeting and the AGM were held in 2013. Attendance at the Board meetings and committee meetings held during 2013 is set out in the table below. 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 subsidiary Company management at Board meetings and through ad hoc discussions. subsidiary Company Managing Directors attend Board meetings on a rotational basis to present their operational business plans and strategy to the Board. Further details of each of the above committees can be found on pages 43 to 59.

Risk management and internal control

The Board is responsible for the Company's internal controls and 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. No material weaknesses have been identified by the system in the year.

Director	Board	Audit	Remuneration	Nomination
J E Brown	7/7	2/2	1/1	1/1
E J Boot	7/7	—	—	—
J T Sutcliffe	7/7	—	—	—
M I Gunston	7/7	2/2	1/1	1/1
J J Sykes	7/7	2/2	1/1	1/1

Governance
Corporate governance statement continued

Risk management and internal control continued

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.

A review of the current policy was commenced in autumn 2013.

Accountability and audit

Details of the Directors' responsibilities and the Directors' Responsibility Statement are contained on page 66. The Independent Auditors' Report is given on pages 68 to 71.

The Directors' statement in respect of the business as a 'going concern' is provided in the Directors' Report on page 60.

Shareholder accountability

The Company actively communicates with its institutional and private 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 visits to institutional shareholders is provided to the Board by our stockbrokers.

The Company uses the Investor Relations section of its website, www.henryboot.co.uk, to publish statutory documents and communications to shareholders, such as the Annual Report and Financial Statements, and Half-yearly Report, as its default method of publication. The website is designed to be 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 also links to the websites of our four principal operating subsidiaries.

Shareholders may choose to receive the Annual Report and Financial Statements and Half-yearly Report in paper form but the Board believes that by utilising electronic communication, it delivers savings to the Company and has environmental benefits through reduced consumption of paper and inks, as well as speeding up the provision of information to shareholders in the future.

The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2013 proxies were received representing 75.35% 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 can be found in the Directors' Report under Shareholder information on pages 63 to 65.

Compliance statement

The Company has complied with the vast majority of the provisions of the September 2012 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. For the reasons stated the Directors believe that the Company's stance is justified in this respect.

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.

R A Deards
Company Secretary
17 April 2014

Nomination Committee report

John Brown
Committee Chairman

Those serving as members of the Nomination Committee (the Committee) in 2013 were J E Brown, Non-executive Chairman, M I Gunston, Non-executive Senior Independent Director, and J J Sykes, Non-independent Non-executive Director. Biographies of the members of the Committee are shown on page 8.

Terms of reference

The terms of reference for this Committee fully incorporate the Code's provisions in relation to its roles and responsibilities and are available for inspection at the Company's registered office.

Role of the Committee

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
- periodically evaluating the effectiveness of the Board.

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

Meetings during the year

The Committee met once during the year. Attendance at this meeting by the Committee members is shown in the table on page 41.

Nomination Committee matters are also discussed at each Board Meeting.

J E Brown
Chairman of the Nomination Committee
17 April 2014

Audit Committee report

James Sykes
Committee Chairman

Those serving as members of the Audit Committee (the Committee) in 2013 were J J Sykes (Committee Chairman), J E Brown and M I Gunston. Biographies of the members of the Committee are shown on page 8.

We all have many years of financial and business experience and both John Brown and I have relevant accounting qualifications and experience.

Terms of reference

The terms of reference for this Committee fully incorporate the Code's provisions in relation to its roles and responsibilities and are available for inspection at the Company's registered office.

Role of the Committee

The Committee's responsibilities include, amongst other matters, the following:

- to review and consider the scope and effectiveness of the Company's financial controls, Company internal control and risk management systems;
- 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 auditors. 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 auditors' work;
- to review and make recommendations to the Board in relation to the Half-yearly and Annual Reports;
- to oversee the selection process with regard to external auditors, to consider the appointment/re-appointment of external auditors and make appropriate recommendations through the Board to the shareholders to consider at the Annual General Meeting (AGM);
- to review the Company's procedures for handling reports by 'whistleblowers';
- 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 Committee in its deliberations this year;
- to monitor the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance; and
- to review annually the Company's anti-bribery policy.

Meetings during the year

The Committee met twice during the year, with the Company's auditors in attendance for part of each meeting. Attendance at these meetings by the Committee members is shown in the table on page 41.

Audit Committee matters are also discussed at each Board meeting.

Committee activities during the year

In 2013 the principal activities of the Committee and the way in which it discharged its responsibilities were as follows.

Financial Statements

The Committee reviewed the Group's draft Financial Statements, interim Financial Statements, Preliminary Statements and reports from the external auditors on the outcome of its reviews and audits in 2013.

Significant accounting matters

The Committee considered the following key accounting issues and matters of judgement in relation to the Group's Financial Statements and disclosures relating to:

Going concern

The Committee reviewed and considered in depth papers relating to the going concern disclosure in the Financial Statements. The Financial Statements disclose the conclusion of these reviews on page 60.

Construction accounting judgements

As more fully explained in our accounting policy on construction contracts, a significant element of turnover is undertaken via construction contracts accounted for in accordance with those accounting policies.

Contract costs and revenues may be affected by a number of uncertainties that are dependent on the outcome of future events and therefore estimates may need to be revised as events unfold and uncertainties are resolved.

During the year, the Committee examined the judgements and methodologies applied to uncertainties and were in agreement with the position adopted.

Valuation of investment property

Investment property is valued at fair value and, other than houses, is valued externally by independent valuers twice each year. Investment property in the course of construction is also valued at fair value. The Committee critically reviewed the valuations for the assets described above and was content with the values adopted.

Valuation of inventory

Our inventory, the vast majority of which is held within our strategic land business, is stated at the lower of cost or net realisable value. The disposal of this inventory is inherently difficult to quantify due to the uncertainty of timing of transactions and the vagaries of the UK planning system. Therefore the portfolio of inventory is subject to regular review by the Board and senior management by reference to development appraisals, planning agreements and market demand.

Independence of the external auditors

In order to ensure the independence of the external auditors, the Committee monitors the non-audit services provided by them to the Group and has adopted a policy on the provision of non-audit services by the external auditors with the objective that such services do not impair the independence or objectivity of the external auditors.

The Committee is required to approve services provided by the external auditors in excess of £25,000 and reviews generally all services provided by them to assess their independence and objectivity in the light of that work. These reviews are undertaken to ensure that the performance of regulatory requirements is not impaired by the provision of permissible non-audit services.

In 2013 the external auditors performed services in respect of a covenant review for the Pension Trustees in respect of the Triennial Valuation and assistance in securing an amendment to the Pension Protection Fund Levy. In both cases the appointment of PwC was considered to be the most efficient and therefore cost effective solution.

The external auditors also perform taxation services for the Group. It is the Committee's opinion that having the same firm perform both services is the most efficient method.

In accordance with best practice, the Company also requires its external auditor to rotate every five years. The statutory auditor signing the Audit Report is Mr Andy Ward who was appointed as the lead partner this year. He replaces by rotation Mr Ian Morrison who has been the statutory auditor since 2010.

The external auditors are also required to assess whether, in their professional opinion, they are independent on an annual basis, and those views are shared with the Committee.

The Committee is satisfied that the independence of the external auditors is not impaired, in particular, due to the fact that the senior statutory auditor has rotated this year, and that the amount of non-audit fees are at a level which does not impact on the statutory auditors' independence and objectivity.

Governance

Audit Committee report continued

"Discussions took place between the Audit Committee, the Henry Boot PLC finance function and the subsidiary company management teams in order to gauge the efficiency of the audit approach undertaken."

Committee activities during the year continued

Audit quality and approach to audit tender

The Henry Boot PLC Audit was put out to tender four years ago and PricewaterhouseCoopers LLP were awarded the work from a short list of four firms who tendered.

Discussions took place between the Audit Committee, the Henry Boot PLC finance function and the subsidiary Company management teams in order to gauge the efficiency of the audit approach undertaken. Furthermore, the Committee Chairman and Committee conduct their own ongoing assessment through the quality of the external auditors' reports and the statutory auditor's interaction with the Committee. The Committee remains satisfied with the efficiency and effectiveness of the audit and therefore does not consider it necessary for the audit to be re-tendered at this stage. The Committee continues to be satisfied with the work of the external auditors and its objectivity and independence.

Details of all amounts paid to the auditors for audit services are set out in note 3 to the Financial statements.

The Committee recommends to the Board that PricewaterhouseCoopers LLP be re-appointed at the AGM and that the Directors are authorised to fix their remuneration.

The Committee recognises the new code requirement that the external audit contract should be put out to tender every ten years, notwithstanding that this requirement is waived in respect of smaller companies such as Henry Boot PLC.

Risk management and controls

Details of the key risks which face the Group, the key controls in place to control those risks and the system of risk management adopted by Henry Boot PLC are set out on pages 26 to 29.

The Committee has evaluated the effectiveness of the internal controls and the risk management system operated. The evaluation covered all controls including financial, operation, risk management and compliance.

Internal Audit

Henry Boot PLC does not have a specific internal audit department. The need for an internal audit department is considered from time to time and currently it is not felt that the benefits would outweigh the costs. If required, external specialists are brought in to perform specific reviews of areas considered a risk.

Accountability

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.

J J Sykes
Chairman of the Audit Committee
17 April 2014

Remuneration Committee report

Michael Gunston
Committee Chairman

On behalf of the Board and the Remuneration Committee (the Committee), I am pleased to present the Henry Boot PLC (the Company) Remuneration Report for the year ended 31 December 2013.

It has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and is split into two sections:

1. The Annual Report on Remuneration sets out payments and awards made to the Directors and details the link between performance and remuneration for 2013. This is subject to an advisory shareholder vote at this year's Annual General Meeting (AGM) (please see Resolution 9).
2. The Directors' Remuneration Policy on pages 48 to 53 sets out the Company's intended policy on Directors' remuneration to be effective from the AGM on 22 May 2014 and is subject to a binding vote at this year's AGM and at least every third year thereafter (please see Resolution 10).

With the exception of:

a. the total shareholder return graph;

b. the Executive Directors' remuneration history and remuneration change tables;

c. the relative importance of spend on pay tables; and

d. the consideration by the Directors of matters relating to remuneration and the statement of shareholder voting,

the information set out on pages 54 to 59 of the Annual Report on Remuneration is subject to audit.

Terms of reference

The terms of reference for this Committee fully incorporate the codes provisions in relation to its roles and responsibilities and are available for inspection at the Company's registered office.

Role of the Committee

The members of the Committee during the year were myself (Chairman), J E Brown and J J Sykes. J E Brown and I are independent Non-executive Directors of the Board.

The primary role of the Committee is to:

1. review, recommend and monitor the level and structure of the remuneration packages of the Executive Directors and senior management;
2. set and approve the remuneration package for the Executive Directors; and
3. determine a balance between base pay and performance related elements of the remuneration package in an effort to align the interests of shareholders with those of the Executive Directors.

Meetings during the year

The Committee met once during the year. Attendance at this meeting by the Committee members is shown in the table on page 41 and further details can be found on page 59 of this report.

Summary of the Committee's activity during 2013

1. Reviewed the Executive Directors' base pay and benefits for 2013 and 2014. Annual inflationary salary rises for the Executive Directors at 1 January 2013 were 2% and from 1 January 2014 have been set at 3%. There were no changes to benefits. Below Board level, the average pay increase across the Group was 3.23% in 2013 and 3.65% in 2014.
2. Reviewed the Long-Term Share Incentive Plan (LTIP) performance metrics and level of reward for the year under review.
3. Debated and then devised a revised Remuneration Policy for approval by the shareholders at the forthcoming AGM.
4. Reviewed the performance of the Executive Directors for 2013 and against that background, set performance targets for 2014.

Governance
Remuneration Committee report continued

Summary of the Committee's activity during 2013 continued

The Committee considered the results achieved for the year ended 31 December 2013 against the targets set for that year in terms of the discretionary bonus scheme in operation for 2013. The performance factors the Committee took into consideration when determining the bonus were:

1. budget profit before tax was exceeded by 9%;
2. consensus market expectations were exceeded by 15%;
3. the restated prior year's profit before tax was exceeded by 37%;
4. year end debt forecast was achieved;
5. NAV, earnings and dividends per share all exceeded budget; and
6. total shareholder return in the year was 52%.

On the basis of these measures, the Committee awarded a bonus of 100% of salary to the Executive Directors.

The Committee has reviewed the discretionary bonus scheme previously available to Executive Directors and has amended it as disclosed in the Remuneration Policy on page 49.

This states that, with effect from 1 January 2014, the annual bonus scheme will have a more explicit link to target profit (before tax) and a small percentage (10%) for individual targets.

A stringent threshold has been set at 90% of target profit at which a bonus of 10% of salary would be payable. Furthermore, a maximum level of 120% of salary has been set for exceeding target by more than 50%. REMCOM considers that the performance required to trigger this maximum level is very stretching.

The Committee also reviewed the current LTIP scheme performance metrics in connection with the Group's performance for the three years ended 31 December 2013 with the result that 50% of the shares initially granted will vest.

Grants of 100% of salary will be awarded for the period 2014–16. The Committee, as mentioned above, reviewed the performance measures in respect of this and future grants and has revised the criteria, as reported in the Remuneration Policy on page 50, to align them more closely to the key underlying drivers of long-term shareholder value.

Therefore, in future, the performance measures will be split equally between growth in earnings per share, return on capital employed and total shareholder return.

Should you have any queries or comments, then please do not hesitate to contact me or the Company Secretary as we most certainly value dialogue with our shareholders.

We strongly believe that our Directors' Remuneration Policy is closely aligned to the achievement of the Company's business objectives and therefore to our shareholders' interests. I therefore hope that you will be able to support the Committee's Policy and Remuneration Report at this year's AGM.

M I Gunston
Chairman of the Remuneration Committee
17 April 2014

Remuneration policy

Linking remuneration with strategy

In order to align the remuneration of our Executive Directors with the Group's key strategic objective of maximising long-term shareholder value, we reflect the following priorities within our remuneration principles.

Alignment with strategy	➲ Stretching profit and therefore earnings per share performance targets are key drivers to long-term shareholder value growth. These are important performance elements of the annual bonus and long-term share incentive plans.
Alignment with shareholders	➲ A significant part of the potential remuneration package is delivered in shares and the performance measures to achieve that element of remuneration incorporate growth in earnings, company capital and shareholder returns, aligning shareholder interests to remuneration. ➲ There are minimum shareholding criteria for Directors, which are currently significantly exceeded by the Executive Directors.
Attracting and retaining the right people	➲ Our remuneration policy is designed to attract, motivate and retain a high quality group of talented individuals over the long term who are incentivised to deliver the strategy through a clear link between reward and performance without taking excessive risks. ➲ We seek to ensure that Director and senior management salaries are set in relation to their peers and other available opportunities and by reference to the wider workforce. At the same time we ensure that we do not pay more than is necessary or reward failure.

The Company policy on remuneration is designed to ensure that Executive Directors earn sufficient remuneration to be motivated to achieve our strategy with the addition of appropriate incentives, once again aligned to strategy, that encourage enhanced performance without excessive risk.

The Committee annually reviews market practices and levels of remuneration for directors in similar roles within companies of comparable sizes and complexity. This review takes into account remuneration within our wider workforce, pay increases awarded and bonus levels generally in the Group with the aim that we reward all employees fairly according to their role, performance, the economic environment and the Group's financial performance.

Remuneration policy continued

Policy table

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Salary	Core element of the Executives' fixed remuneration reflecting the role, experience and comparable companies in the FTSE. The Committee also gives consideration to whether the basic salary is a competitive benchmark to recruit and retain executive talent.	The Committee reviews base salaries annually, taking into consideration: (i) the value of the individual to the Group, their skills, experience and performance; (ii) pay increase levels in the Group and more generally in the marketplace; and (iii) the Group organisation profitability and prevailing market conditions.	Salary increases will normally be in line with the wider Group. The Committee will consider any increase out of line with this very carefully. Higher increases may be awarded in exceptional circumstances. These could include: (i) relevant commercial factors; (ii) increasing scope and responsibility; (iii) promotional increases; and (iv) falling below market positioning.	None. However, individual performance is one of the considerations in setting salary levels.
Benefits	These are provided on a market competitive basis.	Executive Directors currently receive: (i) a car allowance; (ii) private health insurance; (iii) permanent health insurance; (iv) death in service cover; and (v) participation in the SAYE Scheme. The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practice or the operational needs of the Group.	The Committee considers that the level of benefits provided is market consistent. The cost of providing benefits is borne by the Company and varies from time to time.	None.
Pensions	Help retain and recruit Directors, ensuring an adequate retirement income.	E J Boot has had his pension in payment since late 2012 on actuarial advice. J T Sutcliffe is a member of the defined contribution scheme.	20% of basic salary. Paid either as salary in lieu or pension contributions.	None.
Annual bonus	To incentivise the delivery of financial performance, operational targets and individual objectives.	Targets are reviewed annually and any payment is determined by the Committee after the year end based on targets set for the financial period. Bonus is paid in cash. There is no deferral of bonus and there are no malus or clawback provisions in the bonus scheme. The Committee has the discretion in exceptional circumstances to change performance measures and targets part-way through a performance year if there is a significant event which causes the Committee to believe the original measures and targets are no longer a fair and accurate measure of business performance.	Normal bonus opportunity 100% of salary, of which 90% on financial performance, 10% on other individual measures. Financial measure 90%–120% of target profit. Bonus at 90% equates to 10% of salary, at 120% of target bonus equates to 90%. For exceptional performance over 120% and up to 150% of target, a pro rata 20% of salary may be payable, capping total bonus at 120% of salary.	Challenging but achievable operational and individual targets are determined at the beginning of the financial year.

Governance

Remuneration Committee report continued

Remuneration policy continued

Policy table continued

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Long-term incentive plan	The intention of the Henry Boot Long-Term Incentive Plan is to provide a clear and strong link between the remuneration of Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for achieving longer-term objectives aligned closely to shareholders' interests.	The Committee typically awards LTIP shares annually to Executive Directors equal to 100% of basic salary. Awards vest after the third anniversary of grant subject to performance conditions. The Committee has the discretion in exceptional circumstances to change performance measures and targets part-way through a performance year if there is a significant event which causes the Committee to believe the original measures and targets are no longer a fair and accurate measure of business performance.	Current scheme rules permit grants of up to a maximum of 120% of salary to be made on an annual basis.	Vesting of the awards will normally occur provided that the participant is still employed by the Group at the end of the vesting period (subject to good leaver provisions) and that the performance targets for the three year performance period have been satisfied.[1] The performance criteria for awards granted in 2014 and beyond will attach equal weight to three stretching performance measures which the Committee believes align the interests of Executives and shareholders. 1. One-third of the award will depend on earnings per share growth in excess of inflation. 2. One-third of the award will depend on return on capital employed. 3. One-third will depend on total shareholder return calculations. If these LTIP performance conditions are achieved. The Committee has to be satisfied that, in its opinion, the underlying financial performance of the Group over the measurement period has been satisfactory.
Shareholder guidelines	The Committee believes that Executive Directors' share ownership aligns their interests to those of shareholders generally.	Executive Directors are required to have acquired and retained a shareholding of Henry Boot PLC shares to the value of 100% of their base salary. Executive Directors are expected to retain 50% of any LTIP awards until holdings reach the required level.	Not applicable.	Both Executive Directors satisfy the shareholding criteria.
Non-executive Director fees	The Board aims to recruit and retain high calibre Non-executive Directors with the relevant experience required to achieve success for the Company and its shareholders.	The fees of the Chairman are determined by the Committee and the fees of the Non-executive Directors are determined by the Board following a recommendation from both the Group Managing Director and the Chairman. Non-executive Directors are not eligible to participate in any of the Company's share schemes, incentive arrangements or pension schemes.	Non-executive Directors are paid a basic fee with additional fees for chairing Committees. By the third anniversary of their appointment to the Board, Non-executive Directors are required to have acquired and retained a holding of Henry Boot shares equivalent to the value of 50% of their base fee.	None. However, individual performance is considered on an annual basis by the Chairman and Group Managing Director.

Notes to the policy table

[1] Performance targets for shares vesting 2014, 2015 and 2016:

(i) up to 50% of the award is dependent on earnings per share in excess of inflation;

(ii) up to 50% of the award is dependent on adjusted net asset value growth compared to an industry standard investment property annual index; and

(iii) amounts derived in (i) and (ii) above are subject to an underpin based on Henry Boot's total shareholder return in comparison to a comparator group of companies. If Henry Boot is above the median when comparing TSR to the comparator group, the awards in (i) and (ii) are confirmed. If below the median, the awards are reduced by 50%.

Remuneration policy continued

Recruitment remuneration policy

This table sets out the Company's policy on recruitment of new Executive Directors for each element of the remuneration package. Non-executive Directors are recruited on an initial three year term and receive a salary but no other benefits.

Remuneration element	Policy on recruitment
Base salary	The Committee will typically offer a salary in line with the policy on page 49 whilst also considering the experience, ability to implement Group strategy and the wider economic climate and pay and conditions throughout the Group, in order to facilitate the hiring of candidates of the appropriate calibre required to implement the Group's strategy.
Benefits	The Committee will offer benefits in line with the policy for existing Executive Directors; however, the Committee has the flexibility to consider other benefits from time to time including relocation expenses.
Pension	Contribution levels will be set in line with the Company policy for existing Executive Directors.
Bonus	The Committee will offer the ability to earn a bonus in line with the policy on page 49 in line with other Executive Directors.
LTIPs	The Committee will offer LTIPs in line with the policy on page 50 in line with other Executive Directors.
Buyouts	The Committee's policy on 'buying out' existing incentives granted by the Executive's previous employer will depend on the process of recruitment and be negotiated on a case by case basis. The Committee may make an award in order to 'buy out' previous incentives but it will only be made if it is considered necessary to attract the right candidate and there will not be a presumption in favour of doing so.
Internal appointees	Any remuneration awards previously granted to an internal appointee to the Board will continue on their original terms. In the same way, if that appointee is accruing benefits in the Henry Boot Defined Benefit Pension Scheme, these will continue as before on membership to the Board and will be reported on in future Remuneration Policy documents.

Payment for the loss of office policy

The table below sets out the policy on exit payments.

The Committee will ensure that a consistent approach to exit payments is adopted and there is no reward for poor performance and any liability to the Group is minimised/mitigated in all areas. Where a compromise agreement is required the Committee would consider contributing to the reasonable costs of legal and other expenses in connection with the termination of employment and pay reasonable amounts to settle potential claims.

Remuneration element	
Base salary/fees and benefits	Base salary/fees and benefits will be paid over the notice period subject to mitigation. However, the Company has the discretion to make a lump sum payment on termination of the base salary/fees and benefits payable during the notice period.
Pension/salary in lieu of pension	Pension contributions and any salary payments in lieu of pension will be provided over the notice period. The Company has the discretion to make a lump sum payment on termination equal to the value of the pension benefit.
Bonus	Any bonus payment would be at the discretion of the Committee and would be pro-rated to the time employed in the year that employment ceases and would be subject to 'good leaver' status. Any payment would be subject to the same performance criteria and paid at the same time as other Directors.
LTIPs	It is normal for awards to lapse on cessation of employment unless the Company and Committee agree that the Executive is a good leaver. Good leaver status is defined in the LTIP rules and is usually conferred in the following situations: death, disability, redundancy, retirement or at the discretion of the Remuneration Committee. Good leavers will be treated in accordance with the rules of the LTIP scheme which has been approved by shareholders. Their awards are pro-rated for the proportion of the performance period that has elapsed. Any pro-rated shares vest at the normal vesting date and are subject to the same performance conditions as other LTIP holders. In the event of a change of control, Directors affected will be treated in accordance with the rules of the LTIP Scheme. If the Committee are satisfied the performance targets have been achieved, subject to early vesting because of the change of control, the awards would vest in proportion. There is also provision within the rules to exchange LTIP shares for awards in the acquiring company, if that is applicable.

Governance

Remuneration Committee report continued

Remuneration policy continued

Service contracts

E J Boot and J T Sutcliffe each have a one year rolling service agreement in accordance with our policy on Directors' contracts. Termination of these arrangements would therefore be subject to their contractual terms and conditions which require a notice period of one year to the Director. Contractual compensation in the event of early termination provides for compensation at basic salary for the notice period.

Non-executive Directors, including the Chairman, do not have service contracts. All Non-executive Directors have letters of appointment and their appointment and subsequent re-appointment is subject to approval by shareholders. Non-executive Director appointments are typically for three years; however, they may be terminated without compensation at any time.

Explanation of the performance measures chosen

The Committee selects performance measures that are aligned to the strategy of the Group. The Committee sets stretching performance targets each year for the annual bonus and long-term incentive awards. These stretching performance targets take into account a number of financial and personal measures which may, from time to time, include business plans, strategy, past performance and market conditions. Where the measure used is relative shareholder return there will be no payment for performance that is below the median in comparison to the comparator group.

The performance targets used to determine annual bonus reflect the key financial objectives of the Company and any award is for delivery against these measures in line with the policy on page 49.

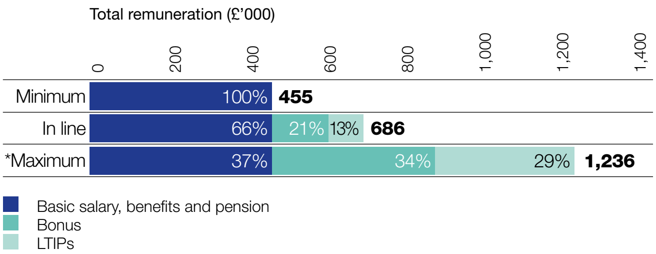
The LTIP performance targets reflect the long-term strategic objective to maximise shareholder value and therefore align the interests of the shareholders with the Executives. The LTIP measures are both financial and shareholder return based and are:

- growth in earnings per share above inflation – a key driver in creating shareholder value is to provide a dividend which grows faster than the rate of inflation;
- ROCE greater than 10% – a key driver to long-term growth in shareholder value is the ability to retain funds to invest in our business;
- relative total shareholder return – this aligns the interests of management and shareholders and measures the extent to which shareholders and the market consider that the Company strategy is appropriate and is being implemented and articulated well by the Executives; and
- The Committee retains the discretion to adjust the performance targets and measures where it considers that it is appropriate to do so, for example, in the case of a major change in the structure of the business and to assess performance on a fair and consistent basis from year to year.

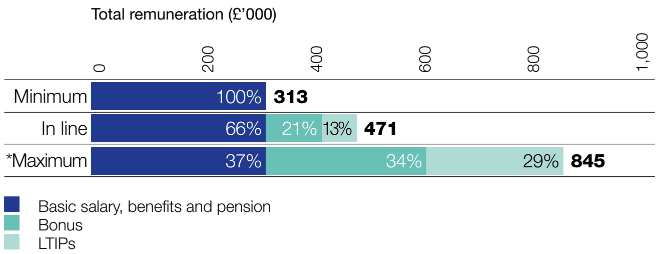
Illustration of the application of the remuneration policy

The graphs below show the split of remuneration between fixed pay (base salary, pension and benefits) and variable pay (bonus and LTIPs), assuming the following bases: minimum remuneration (basic package), remuneration receivable for in line with target performance expectations and the maximum remuneration possible (though not allowing for any share price appreciation).

E J Boot



J T Sutcliffe



* Assumes personal targets and full bonus for exceptional performance at 150% of target, i.e. 120% bonus.

	Fixed pay	Bonus	LTIP
Minimum remuneration	Fixed pay consists of basic salary with effect from 1 January 2014. Pension at 20% of basic salary either as a pension contribution or payment in lieu. Benefits as disclosed in the single figure calculation on page 54.	Nil	Nil
Remuneration for performance in line with expectations		Assumes all personal targets are achieved (10% of salary) and profit before tax is on target (30% of salary) giving total of 40% of salary.	Achieving the base targets for the LTIP measures of EPS, ROCE and total shareholder return equates to a 25% award under the LTIP Scheme (25% of salary).
Remuneration for maximum performance		Assumes all personal targets are met and profit before tax is equal to or greater than 150% of target which will give rise to a bonus of 120% of salary.	Achieving the most stretching measures under the three LTIP performance measures of EPS, ROCE and total shareholder return equates to a 100% award under the LTIP Scheme (100% of salary).

Remuneration policy continued

Policy on external appointments

The Company recognises that Executive Directors may be invited to become Non-executive Directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are only permitted to accept external appointments with the approval of the Board. Any remuneration earned from such appointments is retained by the Executive. Currently no Executive Director holds a remunerated external appointment.

Differences in policy from the wider employee group

Henry Boot PLC aims to provide a remuneration package that is market competitive, complies with statutory requirements and is applied fairly and equitably across employees of the Group. In all cases, with the exception of remuneration determined by statutory regulation, the Group operates the same core remuneration principles for employees as it does for Executive Directors.

These are:

- We remunerate fairly for each role with regard to the marketplace, consistency across comparable roles and consistency across each company within the Group.
- We remunerate people at a level that the Group has the ability to meet which is sufficient to retain and motivate our people to achieve our shared long-term goals.

Bonus arrangements across the Group normally have a similar structure to the Executive Directors in that the main target measure is Group profitability. The level of bonus potential varies across all Group companies.

Participation in the LTIP Scheme is extended to the senior management at the discretion of the Board. In line with Executive Directors, share ownership is encouraged but there is no formal requirement to hold shares. Furthermore, we also encourage long-term employee engagement through the offer of a SAYE share scheme to all employees and a CSOP Scheme to middle management.

Statement of consideration of employment conditions elsewhere in the Group

In December each year the Group Human Resources Manager presents a report to the Board summarising matters relating to the wider workforce, relative levels of pay between companies in the Group, changes to other working conditions and changes within the make up of the workforce.

The Committee takes this into consideration when setting policy for the Executive Directors. Although employees are not actively consulted on Executive remuneration, the Company, through the Human Resources department, is in continual two-way discussion on remuneration issues and this body of information informs the annual remuneration discussions for both Executives and staff.

Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration Policy, it is broadly in line with that which operated up to the end of 2013. The Committee has made some changes to give more clarity to the performance criteria for both LTIPs and annual bonus and reduced the LTIP vesting at threshold to 25% from 30%. Furthermore, the annual bonus scheme now has specific performance criteria applied to future awards rather than the discretionary criteria used up to 31 December 2013.

These changes are intended to bring our policy more in line with best practice.

Governance

Remuneration Committee report continued

Annual report on remuneration

The following parts of the Remuneration Report are subject to audit except for those elements explaining the application of the Remuneration Policy for 2014, as disclosed on page 47.

Single total figure of remuneration

The table below reports the total remuneration receivable by Directors in respect of qualifying services during the period.

Period ended 31 December 2013	**Total salary and fees £'000**	**Taxable benefits £'000**	**Annual bonus £'000**	**Long-term incentives £'000**	**Pension related benefits £'000**	**Total £'000**
E J Boot	**344**	**29**	**344**	**264**	**69**	**1,050**
J T Sutcliffe	**235**	**23**	**235**	**180**	**47**	**720**
J E Brown	**50**	**—**	**—**	**—**	**—**	**50**
M I Gunston	**35**	**—**	**—**	**—**	**—**	**35**
J J Sykes	**35**	**—**	**—**	**—**	**—**	**35**
	699	**52**	**579**	**444**	**116**	**1,890**

Period ended 31 December 2012	Total salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives £'000	Pension related benefits £'000	Total £'000
E J Boot	338	29	241	288	66	962
J T Sutcliffe	230	23	165	196	46	660
J E Brown	50	—	—	—	—	50
M I Gunston	35	—	—	—	—	35
J J Sykes	35	—	—	—	—	35
	688	52	406	484	112	1,742

Taxable 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. In both years the benefit related to company cars are cash allowances.

The information in the single total figure of remuneration table is derived from the following:

Total salary and fees	The amount of salary or fees received in the period.
Benefits	The taxable benefits received in the period by Executive Directors.
Annual bonus	The value of bonus payable and the calculations underlying this are disclosed on page 55.
Long-term incentives	The value of LTIPs are those related to shares that vested as a result of the performance over the three year period ended 31 December 2013 valued at the average share price over the last three months of 2013 and any SAYE scheme grants in the period. The LTIPs which vested in the period and the statement explaining the performance criteria which were satisfied for the LTIPs to vest are disclosed on page 56. There were no SAYE scheme shares granted in the period.
Pension related benefits	The pension figure represents the cash value of contributions received by Directors including contributions to the defined contribution scheme and any salary in lieu of pension contribution at a rate of 20% of salary.

Annual report on remuneration continued

Individual elements of remuneration

Base salary and fees

Executive Directors

Salary effective from	**1 January 2014 £**	1 January 2013 £
E J Boot	**354,638**	344,309
J T Sutcliffe	**242,050**	235,000

In the last five years basic salary increases for the Executive Directors have been 2% until 1 January 2014 when the increase was 3%. Average salary increases for the wider employee population were 3.23% from 1 January 2013 and 3.65% from 1 January 2014.

The Company's policy on base salary continues to be to provide a fixed remuneration component which 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 Committee. As with employees, Directors' rewards are 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

Salary effective from	**1 January 2014 £**	1 January 2013 £
J E Brown	**60,000**	50,000
M I Gunston	**40,000**	35,000
J J Sykes	**40,000**	35,000

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 or the Company pension scheme. The salaries above are inclusive of the responsibilities for Nomination, Audit and Remuneration Committees and Senior Non-executive Director. Any newly appointed Non-executive Director is expected to serve for 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.

Bonus

The Executive Directors participate in an annual bonus scheme. This is calculated by reference to pre-tax profits achieved in the year compared to a target profit which takes into consideration the year's financial budget, City expectations and previous years' profits.

Any bonus amounts are paid in cash and there are no malus or deferral provisions within the scheme.

31 December 2013

The bonus scheme in operation in 2013, as in previous years, was discretionary with the Committee considering levels of payment on conclusion of the year's results. The Committee has considered the results achieved for the year ended 31 December 2013 against the targets set for that year. In terms of the methodology applied in the year, budget profit before tax was exceeded by over 9%, consensus market expectations were exceeded by 15% and the restated prior year's profit before tax was exceeded by over 37%; year end debt forecast was achieved and NAV per share and dividends per share exceeded budget. On this basis, the Committee awarded a bonus of 100% of salary to the Executive Directors.

Details of the policy for future annual bonus awards can be found in the Policy table on page 49.

31 December 2014 bonus targets

Profit before tax performance: 10% of salary payable on 90% of Group profit target, rising to 90% of salary payable upon the achievement of 120% of Group profit target. If, in exceptional circumstances, profit targets are exceeded by more than 20%, a further bonus of 20% of salary may become payable up to 150% of target.	The profit before tax target is deemed to be commercially sensitive and therefore will be disclosed retrospectively in the 2014 Remuneration Report.
Personal objectives: up to an additional 10% of salary may become payable to Executive Directors upon the achievement of personal objectives.	The objectives measured will be based on key elements of the delivery of Group strategy.

Governance
Remuneration Committee report continued

Annual report on remuneration continued

Individual elements of remuneration continued

Long-Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIPs awarded on 21 April 2011, based on performance for 2011, 2012 and 2013, awarded after the year ended 31 December 2013 which are expected to vest in June 2014. The LTIP shares in this award are subject to the following performance criteria:

1) Profit growth was 27.5% which exceeded RPI growth by more than 16.5%. This was greater than the requirement to exceed RPI growth by 12% and therefore this 50% of the award became eligible.

2) Adjusted NAV growth did not exceed the industry standard investment property annual index and therefore no part of this 50% of the award became eligible.

3) Total shareholder return (TSR) compared to the comparator group showed that Henry Boot PLC TSR for the three year period was 139.7%, putting it in the top quartile within the comparator group. This therefore confirms the 50% award above which gave rise to the award values in the single total figure of remuneration at 31 December 2013 on page 54.

Awards granted in the year

The performance criteria for the LTIPs awarded on 18 April 2013 for the performance period 2013–2015 are as above and the numbers granted were as follows:

	Type of award	Percentage of salary	Number of shares	Face value to grant at £1.71 per share	% of award vesting at threshold
E J Boot	LTIP – nil cost option	100%	201,350	344,309	30%
J T Sutcliffe	LTIP – nil cost option	100%	137,429	235,004	30%

The performance conditions which must be satisfied to enable the receipt of these grant awards are disclosed below.

Awards expected to be granted for the financial years 2014–2016 in 2014.

	Type of award	Percentage of salary	% of award at threshold
E J Boot	LTIP – nil cost option	100%	25%
J T Sutcliffe	LTIP – nil cost option	100%	25%

The performance criteria for these awards are laid out in the Remuneration Policy table on page 50. These are different from the performance criteria for previous awards as follows:

EPS growth	We strive to grow earnings per share faster than inflation. This should give rise to an ability to grow dividends faster than inflation, a key driver to long-term growth in shareholder value.
Return of capital employed	We strive to achieve a 10% profit before tax return on balance sheet net assets. This should give rise to at least two times dividend cover thereby generating growth in the Group's retained capital to reinvest and grow. This is a further driver to growing long-term shareholder value.
Total shareholder return (TSR) relative to our comparator group	We strive to achieve high shareholder returns. TSR reflects the extent to which shareholders and the market consider that the Company strategy is appropriate and is being implemented and articulated well by the Executives.

The detailed performance metrics for awards granted in 2014 are:

	% linked to award	Threshold vesting of 25% of maximum award	Threshold for 100% of maximum award
EPS growth	33.3	RPIJ + 3%	RPIJ + 7%
Return on capital employed	33.3	Average three year ROCE of 10%	Average three year ROCE of 13% or more
TSR	33.4	TSR at median or above our comparator group	TSR at or within the upper quartile

Vesting between the 25% threshold and the maximum award will be on a pro-rata basis. The weightings for each measure have been chosen because the Committee believes that they each have equal importance in aligning the interests of shareholders and the Executive Directors. In addition to the amended performance criteria calculation, the Committee has reduced the amount of the award vesting at threshold from 30% to 25%.

Annual report on remuneration continued

Pension entitlement

E J Boot began drawing his pension benefits from 19 November 2012 and therefore no pension contributions are made on his behalf. Instead, a salary in lieu of pension contributions at a rate of 20% of salary is paid; in 2013 this payment amounted to £68,862.

J T Sutcliffe is a member of the Henry Boot PLC Defined Contribution Scheme. Contributions are made at 20% of basic salary and contributions to the Scheme in the year were £45,834 (2012: £46,097). From November 2013, the annual allowance for tax relief on pension savings applicable to J T Sutcliffe reduced to £40,000 per annum. Since that date J T Sutcliffe has elected to receive a salary supplement in lieu of the employer contributions over and above the £40,000 limit noted above; in 2013 this payment amounted to £1,167.

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.

Payments to past Directors

There were no payments made to past Directors during the period in respect of services provided to the Company as a Director.

Payments made for loss of office

There were no payments made during the period in respect of loss of office to a Director.

Statement of Directors' shareholdings and share interests

		At 31 December 2013				
	At 31 December 2012 Legally owned	Legally owned	SAYE (not subject to performance)	LTIPs subject to performance measures	Total	**Shareholding as a % of salary at 31 December 2013[1]**
E J Boot	5,359,662	5,528,054	8,490	720,582	6,257,126	**3,529**
J T Sutcliffe	327,561	430,001	8,490	491,509	930,000	**768**
J E Brown	25,000	25,000	—	—	25,000	**83**
M I Gunston	23,000	23,000	—	—	23,000	**115**
J J Sykes	10,000	10,000	—	—	10,000	**50**

The share price at 31 December 2013 was 200p. The salary used for this calculation is that which commences on 1 January 2014.

[1] As laid out in the Remuneration Policy table on page 50, Executive Directors are required to acquire shares outright to the value of 100% of basic salary. The shareholding requirement for Non-executive Directors that has been proposed in the Remuneration Policy table is that over three years they should build up to a holding which is 50% of basic remuneration.

Directors' shareholdings

The beneficial interest of the Directors in the share capital of the Company at 31 December 2013 was as follows:

	2013 Number of shares		2012 Number of shares	
	Ordinary	**Preference**	Ordinary	Preference
E J Boot	**5,528,054**	**14,753**	5,359,662	14,753
J T Sutcliffe	**430,001**	**—**	327,561	—
J E Brown	**25,000**	**—**	25,000	—
M I Gunston	**23,000**	**—**	23,000	—
J J Sykes	**10,000**	**—**	10,000	—

Long-term incentive plan awards

Performance shares

	Plan	Date of award	Market price at date of award	At 1 January 2013	Awarded during the year	Vested during the year	Lapsed during the year	**At 31 December 2013**	Earliest/ actual vesting date	Market valuation on vesting £
E J Boot	2006	04/05/2010	96.5p	336,785	—	168,392	168,393	**—**	03/06/2013	288,186
	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	—
	2006	18/04/2013	171.0p	—	201,350	—	—	**201,350**	18/05/2016	—
				856,017	201,350	168,392	168,393	**720,582**		288,186
J T Sutcliffe	2006	04/05/2010	96.5p	229,480	—	114,740	114,740	**—**	03/06/2013	196,366
	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	—
	2006	18/04/2013	171.0p	—	137,429	—	—	**137,429**	18/05/2016	—
				583,560	137,429	114,740	114,740	**491,509**		196,366

Governance
Remuneration Committee report continued

Annual report on remuneration continued

Long-term incentive plan awards continued

Savings related share options

	Scheme/ plan	Number of options: At 1 January 2013	Granted during year	Exercised during year	Lapsed during year	At 31 December 2013	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

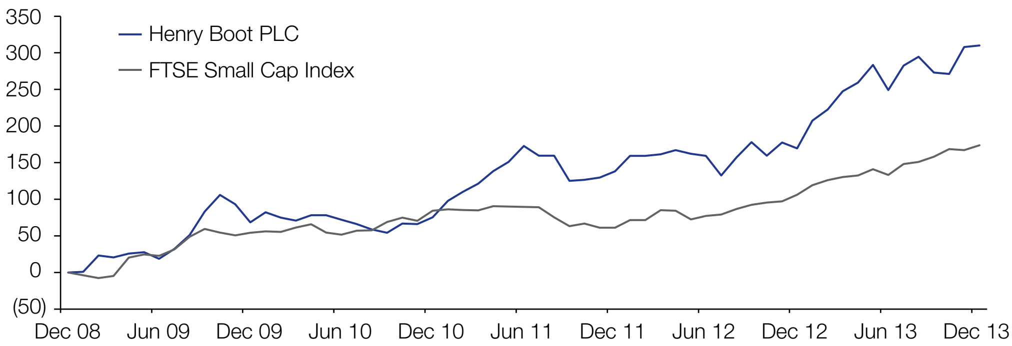
Statement of voting at the last Annual General Meeting (AGM)

The Company remains committed to shareholder dialogue and takes an active interest in voting outcomes. At the AGM on 23 May 2013 the advisory vote by shareholders to receive and approve the 2012 Directors' Remuneration Report was approved. The number of votes in favour of that resolution was 74,842,654 (75.8% of votes cast), against 23,854,173 (24.1% of votes cast) and abstentions 91,088 (0.1% of votes cast). The total number of votes cast in respect of this resolution represented 75.35% of the issued share capital. The vote against the Remuneration Report was because the Committee exercised its discretion to award 40% of the LTIP award. For awards in 2014 and beyond the performance measures have been amended to provide clarity in the future.

Share price

The middle market price for the Company's shares at 31 December 2013 was 200.00p and the range of prices during the year was 135.25p to 213.00p.

Five year TSR performance graph



Group Managing Director's remuneration for the previous five years

	Total remuneration £'000	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2013	1,050	83.3	50
2012	962	58.3	40
2011	842	66.7	50
2010	764	58.3	64
2009	575	33.3	50

Percentage change in Group Managing Director's remuneration

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in remuneration for E J Boot compared to the wider workforce. For these purposes:

Percentage change	Note	Group Managing Director	Workforce sample
Salary		3.0%	3.65%
Taxable benefits	1	—	—
Annual bonus 2012	2	-10.7%	6.23%
Annual bonus 2013	2	42.9%	Not yet available

Note 1

The car allowance remained the same in both years and private medical insurance costs were also broadly the same in both years (£300) for all members of the private medical scheme. Therefore the average percentage change in taxable benefits does not provide a meaningful comparison.

Annual report on remuneration continued

Note 2

The workforce bonuses are calculated and agreed in May 2014 for the year ended 31 December 2013 and is therefore not available. Therefore the information produced is for the bonus comparisons paid in May 2013 for the year ended 31 December 2012. The workforce comparison is every member of staff who received a bonus excluding the Group Managing Director.

Relative importance of spend on pay

The following table sets out the percentage change in dividends, profit attributable to owners of the business and the overall spend on pay across our whole organisation:

	2013	2012	% change
Ordinary dividends	£6.69m	£6.16m	8.5
Profit attributable to owners of the business	£11.3m	£9.1m	24.2
Overall expenditure on pay	£22.6m	£21.0m	7.6

Membership of the Committee

The Committee consists of the three Non-executive Directors of the Board and during the financial year comprised as follows:

	Independent
M I Gunston*	Yes
J J Sykes	No
J E Brown	Yes

* Committee Chairman.

E J Boot, Group Managing Director, attends meetings with the Committee, as requested, in order to assist on matters concerning other senior executives within the Group. E J Boot is not present during any part of the meetings where his own remuneration is discussed.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee has its own terms of reference which have been approved by the Board. These are reviewed annually to ensure they adhere to best practice. Copies can be obtained from the Company Secretary and the Committee Chairman is available to shareholders to discuss the Remuneration Policy if required.

In accordance with the terms of reference, the Committee is responsible for:

- determining and agreeing the Remuneration Policy for the Executive Directors and their contractual conditions of employment;
- having regard for remuneration trends across all employees in the Group and other companies when setting Remuneration Policy;
- selecting, appointing and agreeing the remuneration for any remuneration consultants who advise the Committee;
- determining targets for any annual bonus and long-term incentive schemes operated by the Company and approving any payments made under such schemes;
- reviewing the design of all share incentive schemes for approval by the Board;
- determining the policy for and scope of any pension arrangements for Executive Directors; and
- ensuring that contractual terms on termination and any payments made are fair to the individual and the Group, that failure is not rewarded and the duty to mitigate loss is fully recognised.

Advisers

The Committee's main advisers are set out below:

Adviser	Area of advice
Group Managing Director and Group HR Manager	Remuneration of staff, senior executives and management
DLA Piper UK LLP	Share scheme matters

By order of the Board

M I Gunston
Chairman of the Remuneration Committee
17 April 2014

Directors' report

The Directors have pleasure in presenting the Annual Report and the audited Financial Statements for the year ended 31 December 2013.

Strategic Report

In accordance with the requirements of the Companies Act 2006, we present a fair review of the business during the year to 31 December 2013 and of the position of the Group at the end of the financial year along with a description of the principal risks and uncertainties faced in the Strategic Report on pages 6 to 37.

Corporate governance statement

The Disclosure and Transparency Rules require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in Governance on pages 39 to 42.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 72. The principal active subsidiary companies affecting the profit or net assets of the Group in the year are listed in note 34 to the Financial Statements.

The Directors recommend that a final dividend of 3.15p per ordinary share be paid on 30 May 2014 to ordinary shareholders on the register at the close of business on 2 May 2014. This, together with the interim dividend of 1.95p per ordinary share paid on 25 October 2013, will make a total dividend of 5.10p per ordinary share for the year ended 31 December 2013. Further details are disclosed in note 10 of the Notes to the Financial Statements on page 86.

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 page 2 and the Strategic Report (Performance Review) on pages 6 to 21. Details of the principal risks and uncertainties that the Company faces are set out in the Strategic Report on pages 26 to 29. The key performance indicators are set out in the Strategic Report on pages 24, 25, 36 and 37.

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 79 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in note 16, 23, 24 and 25 to the Financial Statements.

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 Strategic Report (Performance Review) on pages 10 to 21. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report (Financial Review) on pages 22 and 23.

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 7 May 2012, with a renewal date of 7 May 2015. 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.

Political donations

The Company made no political donations in the year or in the previous year.

Strategic report approval statement

The Strategic Report, outlined on pages 6 to 37, gives a fair and balanced review on the state of the business and incorporates our strategy, business model, Board of Directors and Senior Management, Performance Review, Financial Review, Key Performance Indicators, Risks and Risk Management and the Corporate Responsibility Report.

By order of the Board

R A Deards
Company Secretary
17 April 2014

Directors and their interests

J E Brown, E J Boot, J T Sutcliffe, M I Gunston and J J Sykes held office as Directors throughout 2013 and up to the date of signing the Financial Statements. Their biographical details are shown within the Strategic Report on page 8.

In accordance with the Articles of Association of the Company, J J Sykes will retire by rotation at the forthcoming Annual General Meeting (AGM) and offer himself for re-appointment. In accordance with the September 2012 edition of the UK Corporate Governance Code, the Chairman confirms that the performance of J J Sykes continues to be effective and demonstrates commitment to his role.

At no time during the year has any Director had any interest in any significant contract with the Company.

The interests of Directors in the share capital of the Company, other than with respect to options to acquire ordinary shares, are disclosed in the Directors' Remuneration Report on page 57.

Between 31 December 2013 and 20 March 2014, 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 57.

Company Secretary appointment

J T Sutcliffe relinquished his position as Company Secretary on 31 August 2013 and R A Deards was subsequently appointed to the role with effect from 1 September 2013.

Directors' indemnity

Directors risk personal liability under civil and criminal law for many aspects of the Company's main business decisions. As a consequence the Directors could face a range of penalties including fines and/or imprisonment. In keeping with normal market practice, the Company believes that it is prudent and in the best interests of the Company and their best interests to protect the individuals concerned from the consequences of innocent error or omission.

As a result, the Company operates a Directors' and officers' liability insurance policy in order to indemnify Directors and other senior officers of the Company and its subsidiaries, as recommended by the Corporate Governance Code. This insurance policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

In addition, 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.

Pension fund trustees

Legislation can lead to pension fund trustees being held personally liable. Pension trustee liability insurance protects pension funds and their trustees against claims for matters including breach of trust, maladministration and wrongful acts.

When trustees act for pension funds they become liable for any action undertaken or, possibly, actions not undertaken. In keeping with normal market practice, the Company believes that it is in its best interests to protect the Group's pension fund and the trustees concerned from the consequences of innocent error or omission. It is therefore considered prudent to take out an annual insurance policy to protect the pension fund and its trustees from potential liabilities.

Governance
Directors' report continued

Employees
Employees are at the heart of all that we do. We are committed to ensuring that all employees, potential recruits and other stakeholders are treated fairly and equitably. The principles of equality and diversity are important, advancement is based upon individual skills and aptitude irrespective of sex, sexual orientation, race, colour, age, disability, nationality or marital/civil partnership status. Full consideration is given to the diverse needs of our employees and potential recruits and we are fully compliant with all current legislation. Our culture is aimed at ensuring that employees can grow, thrive and succeed to their full potential. Succession planning is important and our offering to employees to seek to further improve employee retention includes the Group stakeholder pension (including life assurance arrangements), private medical insurance, childcare vouchers and income replacement (PHI) arrangements. Employee share ownership continues to be encouraged through participation in various share option plans.

We are fully committed to developing our employees to maximise their career potential and to achieve their aspirations and our aim is to provide rewarding career opportunities in an environment where equality of opportunity is paramount. Our policy for selection and promotion is based on an assessment of an individual's ability and experiences; we take full consideration of all applicants on their merits and have processes and procedures in place to ensure that individuals with disabilities are given fair consideration.

Every possible effort is made by the Group to retain and support employees who become disabled whilst in the employment of the Group.

Employee engagement
The Group regularly provides its employees with information on matters of concern to them; we consult with our employees and/or their representatives in order to ensure that their views can be taken into account when making decisions. We utilise our intranet site to disseminate information and engage with our employees via manager briefings.

The involvement of our employees in our business is key to our ongoing success; the common goals and objectives are shared from the Executive Board downwards and all employees are aware of the crucial role each individually play in our ongoing financial and operational success.

Health and safety
The health and safety of our employees and others is paramount. Further information on our approach to health and safety is provided in the Corporate Responsibility Report on page 30.

Greenhouse gas emissions
All disclosures concerning the Group's greenhouse gas emissions, as required to be disclosed under regulations introduced by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are contained in the Corporate Responsibility Report forming part of the Strategic Report on page 35.

Substantial interests in voting rights
Excluding Directors, at the end of the financial year and 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 in the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Conduct Authority.

	Voting rights over ordinary shares	
	Number	% of issued
Rysaffe Nominees and J J Sykes (joint holding)	21,557,155	16.444
FMR Corp*	6,550,000	4.996
Schroders plc*	6,452,536	4.922
The Fulmer Charitable Trust	5,739,580	4.378
Standard Life Investments Limited**	6,692,481	5.105

* Notified as indirect voting rights.
** Notified as 4,603,609 (3.512% of issued) direct voting rights and 2,088,872 (1.593% of issued) indirect voting rights.

Rysaffe Nominees and J J Sykes are joint registered holders on behalf of various Reis family trusts and are therefore not included under the beneficial interests of J J Sykes.

Shares held by the Henry Boot PLC Employee Trust
The Company has an established Employee Trust (the Trust) for the benefit of Group employees to satisfy existing grants by the Company under various share-based payment arrangements. The Trustee of the Trust, a subsidiary of the Company of which the Directors are J E Brown, J T Sutcliffe and R A Deards, exercises the voting rights in relation to shares held as it, in its absolute discretion, thinks fit, but having regard to the interests of the beneficiaries. Further details are provided in note 32 to the Financial Statements.

Future developments
Important events since the financial year end and future developments are described in the Performance Review of the Strategic Report on pages 10 to 21.

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 20 March 2014, 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 Financial Conduct 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 Financial Conduct Authority.

The Notice of the AGM on pages 108 to 111 includes the following resolutions:

- an ordinary resolution (Resolution 6) 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 20 March 2014. The authority will expire on 21 August 2015 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 7) 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 20 March 2014). The authority will expire on 21 August 2015 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 8) 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 20 March 2014). 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.

Annual General Meeting (AGM)

The AGM of the Company will be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 22 May 2014 at 12.30pm. The notice convening the meeting can be found on pages 108 to 111. It is also available at www.henryboot.co.uk, where a copy can be viewed and downloaded.

Shareholder additional information

Following the implementation of the EU Takeover Directive in the UK, the following provides the required relevant information for shareholders where not already provided elsewhere in these Financial Statements. The information below 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.

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 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.

Governance
Directors' report continued

Shareholder additional information continued

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 22 May 2014 are set out in the Notice of AGM on pages 108 to 111.

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.

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.

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.

Shareholder additional information continued

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.

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

The Company is a party to the following significant agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid:

- 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.

Information rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to enjoy 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 registrars Capita Asset Services, or to the Company directly.

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 4) and authorising the Directors to fix their remuneration (Resolution 5) will be proposed at the AGM.

Accountability and audit

Details of the Directors' responsibilities and the Directors' Responsibility Statement are contained on page 66. The Independent Auditors' Report is given on page 68 to 71.

The Directors' statement in respect of the business as a 'going concern' is provided in the Directors' Report on page 60.

R A Deards
Company Secretary
17 April 2014

Statement of Directors' responsibilities

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 (IFRSs) 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 IFRSs 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 adequate 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 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

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 8 confirm that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report and 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
17 April 2014

J T Sutcliffe
Director
17 April 2014

Financial statements

Independent auditors' report

to the members of Henry Boot PLC

Report on the Financial Statements

Our opinion

In our opinion:

- the Financial Statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit and of the Group's and Parent Company's cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group Financial Statements and Parent Company Financial Statements (the 'Financial Statements'), which are prepared by Henry Boot PLC, comprise:

- the Group and Parent Company statements of financial position as at 31 December 2013;
- the Consolidated statement of comprehensive income for the year then ended;
- the Group and Parent Company statements of changes in equity and statements of cash flows for the year then ended; and
- the summary of principal accounting policies and the notes to the Financial Statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Financial Statements (the 'Annual Report'), rather than in the notes to the Financial Statements. These are cross-referenced from the Financial Statements and are identified as audited.

What an audit of Financial Statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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 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 to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Group Financial Statements as a whole to be £1.5 million. In arriving at this judgement we have had regard to total assets, of which this is 0.45%, because the stated aim of the business is to maximise long-term shareholder value.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £75,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group is structured along three business lines being Property Investment and Development, Land Development and Construction. The Group Financial Statements are a consolidation of the 41 reporting units within these three business lines and the Group's centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by analysing the financial statement line items and disclosures at the reporting unit level and tailoring our testing to be able to conclude that sufficient appropriate evidence had been obtained as a basis for our opinion on the Group Financial Statements as a whole.

Accordingly, of the Group's 41 reporting units, we identified eleven which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. Specific audit procedures were performed at a further six reporting units. This, together with additional procedures performed on the Group's centralised functions, gave us the evidence we needed for our opinion on the Group Financial Statements as a whole.

Report on the Financial Statements continued

Overview of our audit approach continued

Areas of particular audit focus

In preparing the Financial Statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the Financial Statements is set out on pages 44 to 46.

Area of focus	How the scope of our audit addressed the area of focus
Valuation of investment properties We focused on this area because the Group's investment property assets represent a significant proportion of the assets in the Group statement of financial position. Property valuations are subject to a high degree of judgement as they are calculated from a number of different assumptions specific to each individual property or development site. A relatively small percentage change in valuations of individual properties, in aggregate, could result in a material impact to the Financial Statements. (Refer to note 13 to the Financial Statements.)	We agreed the property information supplied to the Directors' external valuer including details of rental agreements to the underlying records that we tested. Our assessment of the Directors' calculation of the fair value of investment properties focused on the significant valuation assumptions disclosed in note 13 to the Financial Statements, being rental values, yields and costs to complete. We challenged these assumptions, which had the greatest impact on property valuations, by benchmarking against industry trends and reperformed calculations made by the Directors and their external valuers in arriving at the year end valuations recorded in the Financial Statements. We also performed sensitivity analysis to determine the extent of change in the significant valuation assumptions that, either individually or collectively, would be required for the valuations to be materially misstated. Having done so we considered the likelihood of such a movement in the assumptions arising.
Accuracy and valuation of construction contract balances We focused on this area because of the judgements involved in estimating the stage of completion of contract activity, assessing costs to complete contracts and the recoverability of contract balances. The Group undertakes a number of construction contracts and a relatively small change in the judgements applied by management could result in a material misstatement to the Financial Statements.	We evaluated the Directors' revenue and profit recognition on construction contracts, including holding discussions with the Directors' in-house quantity surveyors, reviewing legal documentation and substantively tested balances back to supporting invoices. We tested accruals for contract work undertaken by checking it to supporting documentation, including subcontractor applications for payment, to confirm balances. We also challenged the Directors' overall profit recognition methodology, including an assessment of the accuracy of revenue and profit forecasts from prior years.
Valuation of inventory We focused on this area because inventory represents a significant proportion of the assets in the statement of financial position. The valuation of inventory is subject to a degree of judgement and is dependent on the status of current planning applications. The Group carries a number of sites within inventory and a change in the judgements applied by the Directors could result in a material misstatement to the Financial Statements.	We tested the Directors' assessment that the carrying value of inventory is stated at the lower of cost and net realisable value by agreeing to supporting documentation, for example development appraisals, title deeds and the status of planning agreements. We evaluated management's historic forecasting accuracy by reviewing sales made during the current year and previous years, confirming whether these were sold at values in excess of their carrying value at that time.
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. We focused on this area because typical property, land and construction transactions are of a high value and low volume, with each being agreed on individual terms. The judgement involved in interpreting these terms, including the timing of revenue recognition, gives rise to a risk that revenue may not be accurately recorded.	In respect of land and property transactions, we reviewed legal completion documents in order to determine the point at which legal title to property should pass to the purchaser and checked that revenue had been accurately recorded. In respect of construction transactions, we tested the accounting for contractual milestones by agreeing them to the analysis of the position of each contract that management maintains and the relevant terms within the customer agreements. Our work included checking customer acceptance of the work done, considering the possible implications of any ongoing disputes, and testing the Directors' estimates of costs to complete the contract. We also tested manual journal entries posted to revenue accounts to identify and challenge unusual or irregular items by agreeing to source documentation to confirm their appropriateness.

Independent auditors' report continued

to the members of Henry Boot PLC

Report on the Financial Statements continued

Overview of our audit approach continued

Areas of particular audit focus continued

Area of focus	How the scope of our audit addressed the area of focus
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management. We examined the significant accounting estimates and judgements relevant to the Financial Statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested journal entries to determine the rationale for manual adjustments.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 60, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's and Parent Company's Financial Statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the Financial Statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code (the 'Code'). We have nothing to report having performed our review.

On page 38 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 45, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the Financial Statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other matters on which we are required to report by exception continued

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 66, the Directors are responsible for the preparation of the Group and Parent Company 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 Group and Parent Company Financial Statements in accordance with applicable law and ISAs (UK & 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.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
17 April 2014

Financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000 (restated*)
Revenue	1	**153,794**	103,147
Cost of sales		**(115,971)**	(75,607)
Gross profit		**37,823**	27,540
Other income	1	**30**	28
Administrative expenses		**(13,936)**	(13,286)
Pension expenses	4	**(3,632)**	(2,501)
		20,285	11,781
(Decrease)/increase in fair value of investment properties	13	**(1,563)**	1,346
Profit on sale of investment properties		**304**	1,032
Loss on sale of assets held for sale		**—**	(11)
Operating profit	3	**19,026**	14,148
Finance income	5	**694**	633
Finance costs	6	**(1,526)**	(1,415)
Share of profit/(loss) of joint ventures	15	**183**	(8)
Profit before tax		**18,377**	13,358
Tax	7	**(5,143)**	(2,326)
Profit for the year from continuing operations		**13,234**	11,032
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property		**—**	(35)
Deferred tax on property revaluations	17	**84**	102
Actuarial gain/(loss) on defined benefit pension scheme	27	**8,537**	(10,142)
Deferred tax on actuarial (gain)/loss	17	**(2,447)**	1,953
Movement in fair value of cash flow hedge	25	**151**	169
Deferred tax on cash flow hedge	17	**(38)**	(51)
Total other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years		**6,287**	(8,004)
Total comprehensive income for the year		**19,521**	3,028
Profit for the year attributable to:			
Owners of the Parent Company		**11,315**	9,114
Non-controlling interests		**1,919**	1,918
		13,234	11,032
Total comprehensive income attributable to:			
Owners of the Parent Company		**17,558**	1,064
Non-controlling interests		**1,963**	1,964
		19,521	3,028
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**8.6p**	7.0p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**8.5p**	6.9p

* See page 81.

Statements of financial position

for the year ended 31 December 2013

	Note	Group 2013 £'000	Group 2012 £'000	Parent Company 2013 £'000	Parent Company 2012 £'000
ASSETS					
Non-current assets					
Intangible assets	11	7,994	9,152	—	—
Property, plant and equipment	12	17,354	16,562	94	81
Investment properties	13	132,394	140,375	—	—
Investments	14	—	—	3,369	3,021
Investment in joint ventures	15	180	22	—	—
Trade and other receivables	16	12,686	11,538	—	—
Deferred tax assets	17	5,411	8,904	4,445	7,519
		176,019	186,553	7,908	10,621
Current assets					
Inventories	18	91,013	81,560	—	—
Trade and other receivables	16	43,103	37,268	189,413	179,290
Current tax assets		—	—	—	745
Cash and cash equivalents		15,587	3,418	12,619	351
Assets classified as held for sale	20	10,511	1,900	—	—
		160,214	124,146	202,032	180,386
LIABILITIES					
Current liabilities					
Trade and other payables	21	50,171	51,786	72,173	82,562
Current tax liabilities		2,505	438	1,581	—
Borrowings	24	46,492	19,223	45,739	18,942
Provisions	26	7,147	9,384	—	—
		106,315	80,831	119,493	101,504
NET CURRENT ASSETS		53,899	43,315	82,539	78,882
Non-current liabilities					
Trade and other payables	21	4,840	2,244	—	—
Borrowings	24	5,207	6,137	—	—
Retirement benefit obligations	27	20,075	30,533	20,075	30,533
Provisions	26	6,312	9,051	—	—
		36,434	47,965	20,075	30,533
NET ASSETS		193,484	181,903	70,372	58,970
EQUITY					
Share capital	30	13,510	13,510	13,510	13,510
Property revaluation reserve	31	3,355	3,271	—	—
Retained earnings	31	171,938	160,692	52,299	41,153
Other reserves	31	3,566	3,497	4,751	4,751
Cost of shares held by ESOP trust	32	(188)	(444)	(188)	(444)
Equity attributable to owners of the Parent Company		192,181	180,526	70,372	58,970
Non-controlling interests		1,303	1,377	—	—
TOTAL EQUITY		193,484	181,903	70,372	58,970

The Financial Statements on pages 72 to 106 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 17 April 2014.

On behalf of the Board

E J Boot
Director

J T Sutcliffe
Director

Financial statements
Statements of changes in equity
at 31 December 2013

Group	Note	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
		Attributable to owners of the Parent Company							
At 1 January 2012		13,510	3,354	165,093	3,425	(601)	184,781	1,256	186,037
Profit for the year (restated*)	31	—	—	9,114	—	—	9,114	1,918	11,032
Other comprehensive income/ (expense) (restated*)		—	67	(8,189)	72	—	(8,050)	46	(8,004)
Total comprehensive 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	31	—	(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
Profit for the year	31	—	—	11,315	—	—	11,315	1,919	13,234
Other comprehensive income		—	84	6,090	69	—	6,243	44	6,287
Total comprehensive income		—	84	17,405	69	—	17,558	1,963	19,521
Equity dividends	10	—	—	(6,358)	—	—	(6,358)	(2,037)	(8,395)
Proceeds on disposal of treasury shares	32	—	—	—	—	26	26	—	26
Share-based payments	31, 32	—	—	199	—	230	429	—	429
		—	—	(6,159)	—	256	(5,903)	(2,037)	(7,940)
At 31 December 2013		**13,510**	**3,355**	**171,938**	**3,566**	**(188)**	**192,181**	**1,303**	**193,484**

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 2012		13,510	51,731	4,751	(601)	69,391
Profit for the year (restated*)	8	—	3,223	—	—	3,223
Other comprehensive expense (restated*)		—	(8,189)	—	—	(8,189)
Total comprehensive expense		—	(4,966)	—	—	(4,966)
Equity dividends	10	—	(5,760)	—	—	(5,760)
Proceeds on disposal of treasury shares	30, 31	—	—	—	16	16
Purchase of treasury shares		—	—	—	(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
Profit for the year	8	—	11,342	—	—	11,342
Other comprehensive income		—	6,090	—	—	6,090
Total comprehensive income		—	17,432	—	—	17,432
Equity dividends	10	—	(6,358)	—	—	(6,358)
Proceeds on disposal of treasury shares	32	—	—	—	26	26
Share-based payments	31	—	72	—	230	302
		—	(6,286)	—	256	(6,030)
At 31 December 2013		**13,510**	**52,299**	**4,751**	**(188)**	**70,372**

* See page 81.

Statements of cash flows

for the year ended 31 December 2013

	Note	Group 2013 £'000	Group 2012 £'000 (restated*)	Parent Company 2013 £'000	Parent Company 2012 £'000 (restated*)
Cash flows from operating activities					
Operating profit/(loss)		**19,026**	14,148	**(9,994)**	(1,921)
Adjustments for non-cash items:					
Amortisation of PFI asset	11	**1,140**	1,131	**—**	—
Goodwill impairment	11	**204**	203	**—**	—
Depreciation of property, plant and equipment	12	**3,086**	2,996	**44**	70
Impairment losses on land and buildings	12	**—**	75	**—**	—
Revaluation decrease/(increase) in investment properties	13	**1,563**	(1,346)	**—**	—
Amortisation of capitalised letting fees	3	**88**	37	**—**	—
Share-based payment expense	4	**429**	504	**302**	368
Pension scheme credit		**(1,921)**	(2,258)	**(1,921)**	(2,258)
Provision against investments in subsidiaries	14	**—**	—	**9,652**	—
Movements on provision against loans to subsidiaries		**—**	—	**(3,854)**	(1,622)
Loss on disposal of assets held for sale	3	**—**	11	**—**	—
Gain on disposal of property, plant and equipment	3	**(406)**	(333)	**(10)**	(10)
Gain on disposal of investment properties		**(304)**	(1,032)	**—**	—
Operating cash flows before movements in equipment held for hire		**22,905**	14,136	**(5,781)**	(5,373)
Purchase of equipment held for hire	12	**(3,303)**	(3,013)	**—**	—
Proceeds on disposal of equipment held for hire		**471**	272	**—**	—
Operating cash flows before movements in working capital		**20,073**	11,395	**(5,781)**	(5,373)
Increase in inventories		**(9,106)**	(19,376)	**—**	—
(Increase)/decrease in receivables		**(5,129)**	7,520	**(2,189)**	(13,744)
(Decrease)/increase in payables		**(4,294)**	(2,973)	**(11,291)**	708
Cash generated from/(used by) operations		**1,544**	(3,434)	**(19,261)**	(18,409)
Interest paid		**(1,152)**	(1,135)	**(3,695)**	(3,474)
Tax paid		**(1,984)**	(3,381)	**(495)**	(1,601)
Net cash flows from operating activities		**(1,592)**	(7,950)	**(23,451)**	(23,484)
Cash flows from investing activities					
Purchase of intangible assets	11	**(186)**	(69)	**—**	—
Purchase of property, plant and equipment	12	**(793)**	(1,493)	**(58)**	(28)
Purchase of investment property	13	**(6,417)**	(10,429)	**—**	—
Purchase of investments in subsidiaries	14	**—**	—	**(10,000)**	—
Proceeds on disposal of property, plant and equipment		**153**	348	**11**	20
Proceeds on disposal of investment properties		**2,219**	6,579	**—**	—
Proceeds on disposal of assets held for sale		**450**	964	**—**	—
Dividends received from joint ventures	15	**25**	—	**—**	—
Interest received		**290**	33	**8,457**	7,803
Dividends received from subsidiaries		**—**	—	**16,844**	2,755
Net cash flows from investing activities		**(4,259)**	(4,067)	**15,254**	10,550
Cash flows from financing activities					
Purchase of treasury shares	32	**—**	(79)	**—**	(79)
Proceeds on disposal of treasury shares		**26**	16	**26**	16
Decrease in borrowings		**(12,937)**	(11,222)	**(10,000)**	(10,000)
Increase in borrowings		**39,326**	30,077	**37,000**	28,000
Dividends paid – ordinary shares	10	**(6,337)**	(5,739)	**(6,337)**	(5,739)
– non-controlling interests		**(2,037)**	(1,843)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**18,020**	11,189	**20,668**	12,177
Net increase/(decrease) in cash and cash equivalents		**12,169**	(828)	**12,471**	(757)
Net cash and cash equivalents at beginning of year		**3,418**	4,246	**(591)**	166
Net cash and cash equivalents at end of year		**15,587**	3,418	**11,880**	(591)
Analysis of net debt:					
Cash and cash equivalents		**15,587**	3,418	**12,619**	351
Bank overdrafts		**—**	—	**(739)**	(942)
Net cash and cash equivalents		**15,587**	3,418	**11,880**	(591)
Bank loans	24	**(48,746)**	(22,331)	**(45,000)**	(18,000)
Related party loans	24	**—**	(200)	**—**	—
Government loans	24	**(2,953)**	(2,829)	**—**	—
Net debt		**(36,112)**	(21,942)	**(33,120)**	(18,591)

* See page 81.

Financial statements
Principal accounting policies
for the year ended 31 December 2013

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 complies 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.

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

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 60.

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. Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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.

Goodwill arising on consolidation of subsidiary undertakings is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is subjected to an impairment test at the reporting date or when there has been an indication that the goodwill should be impaired, any loss is recognised immediately through the 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 reporting 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 are those properties which are not occupied by the Group and which are held for long-term rental yields, capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment property.

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

At each subsequent reporting date, investment properties are re-measured to their fair value; further information regarding the valuation methodologies applied can be found in note 13 to the Financial Statements. Movements in fair value are included in the Statement of Comprehensive Income.

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

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

Investment property is de-recognised when they are disposed at their carrying value.

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

Financial statements
Principal accounting policies continued
for the year ended 31 December 2013

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

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

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

- equipment held for hire – between 25% and 50%
- 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 twelve years to run.

Leasing
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 estimated net realisable value and are subject to regular impairment reviews.

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

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

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

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

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

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

Share-based payments
Equity-settled share-based payments to employees of the Company and its subsidiary undertakings are measured at fair value of the equity instruments at the date of grant and are expensed on a straight line basis over the vesting period. Fair value is measured by a Monte Carlo pricing model taking 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 reporting date.

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

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

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

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 80). 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 80);
- borrowings: see below; and
- derivatives: see below.

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.

Financial statements
Principal accounting policies continued
for the year ended 31 December 2013

Derivatives and hedging continued
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 with an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

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

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

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

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset.

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

Specific details of the Group's provisions relating to land development and road maintenance can be found in note 26 on page 98.

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.

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 77 and 78 and each is interpreted by management in the light of IAS 18 'Revenue', IAS 11 'Construction Contracts' and IAS 2 'Inventories'.

Judgements and key assumptions continued

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

- retirement benefit costs – the estimates used in retirement benefit costs are arrived at in conjunction with the scheme's actuary and advisers, those having the most significant impact being the liabilities discount rate, RPI and mortality rates. Note 27 to the Financial Statements gives details of the sensitivity surrounding these estimates;
- fair value of investment properties and of Group occupied properties – the fair value of completed investment property and of Group occupied property is determined by independent valuation experts using the yield method valuation technique. The fair value of investment property under construction has been determined using the residual method by the Directors of the Company. The most significant estimates used in these valuations are rental values, yields and costs to complete. Notes 12 and 13 to the Financial Statements give details of the valuation methods used and the sensitivity surrounding these estimates; and
- provisions – amounts recognised in relation to provisions are based on assumptions in respect of cost estimates, the timing of cash flows and discount rates used. Note 26 to the Financial Statements gives details of the sensitivity surrounding these estimates.

Impact of accounting standards and interpretations

At the date of authorisation of these Financial Statements, the following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting period ended 31 December 2013:

		Effective from
Annual improvements (issued 2012)	'Improvements to IFRSs 2009–2011'	1 January 2013
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 2013#
IAS 28 (issued 2011)	'Investments in Associates and Joint Ventures'	1 January 2013#
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 10 (issued 2011)	'Consolidated Financial Statements'	1 January 2013#
IFRS 10 (issued 2012)	'Transition Guidance'	1 January 2013#
IFRS 11 (issued 2011)	'Joint Arrangements'	1 January 2013#
IFRS 11 (issued 2012)	'Transition Guidance'	1 January 2013#
IFRS 12 (issued 2011)	'Disclosures of Interests in Other Entities'	1 January 2013#
IFRS 12 (issued 2012)	'Transition Guidance'	1 January 2013#
IFRS 13 (issued 2011)	'Fair Value Measurement'	1 January 2013

Mandatory from 1 January 2014.

With the exception of IAS 19 (amended 2011) and IFRS 13 (issued 2011), the adoption of these standards and interpretations has not had a significant impact on the Group. The Group did not early adopt any standard or interpretation not yet mandatory.

The adoption of IAS 19 (amended 2011) has resulted in an increase in the pension expense of approximately £1,563,000 in the year and £545,000 in the year ended 31 December 2012. The year ended 31 December 2012 has been restated to reflect these changes. The changes have had no impact on the overall reserves or the Consolidated Statement of Financial Position for these periods.

The Group has applied IFRS 13 (issued 2011) for the first time in the current year. IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements. The adoption of IFRS 13 has had no impact on the overall reserves or the Consolidated Statement of Financial Position.

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
Annual improvements (issued 2013)	'Annual Improvements to IFRSs 2010–2012 Cycle'	1 July 2014*
Annual improvements (issued 2013)	'Annual Improvements to IFRSs 2011–2013 Cycle'	1 July 2014*
IFRIC 21 (issued 2013)	'Levies'	1 January 2014*
IAS 19 (amended 2013)	'Defined Benefit Plans: Employee Contributions'	1 July 2014*
IAS 27 (issued 2012)	'Investment Entities'	1 January 2014
IAS 32 (amended 2011)	'Offsetting Financial Assets and Financial Liabilities'	1 January 2014
IAS 36 (amended 2013)	'Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014
IAS 39 (amended 2013)	'Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014
IFRS 10 (issued 2012)	'Investment Entities'	1 January 2014
IFRS 12 (issued 2012)	'Investment Entities'	1 January 2014
IFRS 14 (issued 2014)	'Regulatory Deferral Accounts'	1 January 2016*

* Not yet endorsed by the EU.

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

In 2013, 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.

Financial statements
Notes to the financial statements
for the year ended 31 December 2013

1. Revenue
Analysis of the Group's revenue is as follows:

Activity in the United Kingdom	2013 £'000	2012 £'000
Revenue from construction contracts	**60,217**	63,489
Property development	**26,911**	2,649
Land development	**37,525**	9,061
PFI concession income	**11,125**	11,144
Plant and equipment hire	**10,233**	9,203
Investment property rental income	**7,653**	7,461
Other rental income	**130**	140
	153,794	103,147
Other income	**30**	28
	153,824	103,175

Contingent rents recognised as income during the year amount to £294,000 (2012: £226,000).

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.

During the year the Group made land disposals to a single customer amounting to 17% of the Group's total revenue. Land transactions are often high value, low volume transactions and as the Group received offers from multiple customers for its sales it is not reliant on any major customer individually. The remaining revenue for the year and all of those during the prior year were derived from a large number of customers and no single customer or group under common control contributed more than 10% of the Group's revenues.

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 76 to 81.

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.

	2013					
Revenue	Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	**37,623**	**37,655**	**78,516**	**—**	**—**	**153,794**
Inter-segment sales	**296**	**8**	**3,726**	**656**	**(4,686)**	**—**
Total revenue	**37,919**	**37,663**	**82,242**	**656**	**(4,686)**	**153,794**
Operating profit/(loss)	**3,056**	**11,896**	**8,180**	**(4,112)**	**6**	**19,026**
Finance income	**1,629**	**750**	**1,398**	**25,245**	**(28,328)**	**694**
Finance costs	**(7,202)**	**(1,506)**	**(580)**	**(3,726)**	**11,488**	**(1,526)**
Share of profit of joint ventures	**183**	**—**	**—**	**—**	**—**	**183**
Profit/(loss) before tax	**(2,334)**	**11,140**	**8,998**	**17,407**	**(16,834)**	**18,377**
Tax	**(173)**	**(2,587)**	**(2,228)**	**(150)**	**(5)**	**(5,143)**
Profit/(loss) for the year	**(2,507)**	**8,553**	**6,770**	**17,257**	**(16,839)**	**13,234**
Other information						
Capital additions	**6,723**	**17**	**3,645**	**314**	**—**	**10,699**
Depreciation	**80**	**14**	**2,451**	**541**	**—**	**3,086**
Impairment	**—**	**—**	**204**	**—**	**—**	**204**
Amortisation	**88**	**—**	**1,140**	**—**	**—**	**1,228**
Decrease in fair value of investment properties	**1,563**	**—**	**—**	**—**	**—**	**1,563**
Provisions	**(1)**	**157**	**1,116**	**—**	**—**	**1,272**
Pension scheme credit	**—**	**—**	**—**	**(1,921)**	**—**	**(1,921)**

2. Segment information continued

	2012					
Revenue	Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000 (restated)	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	7,355	2,329	7,888	(3,437)	13	14,148
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	3,588	(2,742)	13,358
Tax	2,284	(466)	(2,102)	(1,934)	(108)	(2,326)
Profit/(loss) for the year	4,196	1,525	6,507	1,654	(2,850)	11,032
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
Increase in fair value of investment properties	(1,346)	—	—	—	—	(1,346)
Provisions	(6)	727	701	—	—	1,422
Pension scheme credit	—	—	—	(2,258)	—	(2,258)

	2013 £'000	2012 £'000
Segment assets		
Property Investment and Development	**172,749**	167,760
Land Development	**113,251**	101,445
Construction	**27,117**	26,497
Group overheads and other	**2,118**	2,675
	315,235	298,377
Unallocated assets		
Deferred tax assets	**5,411**	8,904
Cash and cash equivalents	**15,587**	3,418
Total assets	**336,233**	310,699
Segment liabilities		
Property Investment and Development	**4,280**	4,331
Land Development	**22,976**	23,808
Construction	**39,248**	42,354
Group overheads and other	**1,966**	1,972
	68,470	72,465
Unallocated liabilities		
Current tax liabilities	**2,505**	438
Current borrowings	**46,492**	19,223
Non-current borrowings	**5,207**	6,137
Retirement benefit obligations	**20,075**	30,533
Total liabilities	**142,749**	128,796
Total net assets	**193,484**	181,903

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

	2013 £'000	2012 £'000 (restated)
Depreciation of property, plant and equipment	**3,086**	2,996
Impairment of goodwill included in administrative expenses	**204**	203
Amortisation of PFI asset included in cost of sales	**1,140**	1,131
Amortisation of capitalised letting fees	**88**	37
Impairment losses on land and buildings included in administrative expenses	**—**	75
Loss on sale of assets held for sale	**—**	11
Impairment losses recognised on trade receivables included in cost of sales	**30**	40
Impairment losses recognised on trade receivables included in administrative expenses	**255**	81
Property rentals under operating leases	**181**	176
Decrease/(increase) in fair value of investment property	**1,563**	(1,346)
Cost of inventories recognised as expense	**47,370**	4,657
Employee costs	**22,797**	21,211
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	**(406)**	(333)

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

	2013 £'000	2012 £'000
Fees payable for the audit of the Company's annual accounts and Consolidated Financial Statements	**72**	50
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**88**	114
Total audit fees	**160**	164
Tax services	**83**	87
Other services	**59**	111
Total non-audit fees	**142**	198
Total fees	**302**	362

In addition, fees of £7,800 (2012 Hawsons: £12,975) were paid to BDO LLP in their capacity as auditors of The Henry Boot Staff Pension and Life Assurance Scheme. Hawsons resigned as auditors on 14 December 2012 and BDO LLP were appointed on 13 May 2013.

4. Employee costs

	2013 £'000	2012 £'000 (restated)
Wages and salaries	**16,604**	16,205
Share-based payment expense	**429**	504
Social security costs	**1,975**	1,842
Defined benefit pension costs (see note 27)	**3,034**	2,194
Defined contribution pension costs (see note 27)	**501**	236
Other pension costs	**97**	71
	22,640	21,052

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

	2013 Number	2012 Number
Property Investment and Development	**37**	30
Land Development	**29**	29
Construction	**225**	219
Plant hire	**108**	110
Group overheads	**51**	50
	450	438

5. Finance income

	2013 £'000	2012 £'000
Interest on bank deposits	**10**	17
Interest on other loans and receivables	**262**	34
Fair value adjustments on trade receivables	**422**	582
	694	633

6. Finance costs

	2013 £'000	2012 £'000
Interest on bank loans and overdrafts	**1,168**	1,126
Interest on other loans and payables	**11**	15
Fair value adjustments on trade payables	**244**	226
Fair value adjustments on borrowings	**82**	33
Provisions: unwinding of discount (note 26)	**21**	15
	1,526	1,415

7. Tax

	2013 £'000	2012 £'000 (restated)
Current tax:		
UK corporation tax on profits for the year	**4,064**	2,079
Adjustment in respect of earlier years	**(13)**	(217)
Total current tax	**4,051**	1,862
Deferred tax (note 17):		
Origination and reversal of temporary differences	**1,092**	700
Adjustment in respect of earlier years	**—**	(236)
Total deferred tax	**1,092**	464
Total tax	**5,143**	2,326

Corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the year.

During the year, as a result of the change in the UK corporation tax rate from 23% to 21% effective from 1 April 2014 and from 21% to 20% effective from 1 April 2015, both of which were substantively enacted on 2 July 2013, the relevant deferred tax balances have been re-measured. Deferred tax balances at the year end have been measured at 23%, 21% and 20% being the rates at which timing differences are expected to reverse.

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

	2013 £'000	2012 £'000 (restated)
Profit before tax	**18,377**	13,358

	2013 %	2012 % (restated)
Tax at the UK corporation tax rate	**23.25**	24.50
Effects of:		
Permanent differences	**5.22**	(1.80)
Short-term timing differences	**(0.17)**	(1.90)
Adjustment in respect of earlier years	**(0.07)**	(1.62)
Joint venture results reported net of tax	**(0.23)**	—
Deferred tax adjustment in respect of earlier years	**—**	(1.77)
Effective tax rate	**28.00**	17.41

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

	2013 £'000	2012 £'000 (restated)
Deferred tax:		
– property revaluations	**84**	102
– actuarial (gain)/loss	**(2,447)**	1,953
– cash flow hedge	**(38)**	(51)
Total tax recognised in other comprehensive income	**(2,401)**	2,004

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8. Results of Parent Company

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these Financial Statements. The profit dealt with in the Financial Statements of the Parent Company and approved by the Board on 17 April 2014 is £11,342,000 (2012: restated £3,223,000) and includes dividends received from subsidiaries of £16,844,000 (2012: £2,755,000).

9. Earnings per ordinary share

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

Earnings	2013 £'000	2012 £'000 (restated)
Profit for the year	**13,234**	11,032
Non-controlling interests	**(1,919)**	(1,918)
Preference dividend	**(21)**	(21)
	11,294	9,093

Number of shares	2013	2012
Weighted average number of shares in issue	**131,096,122**	131,096,122
Less shares held by the ESOP on which dividends have been waived	**(239,832)**	(546,364)
Weighted average number for basic earnings per share	**130,856,290**	130,549,758
Adjustment for the effects of dilutive potential ordinary shares	**1,972,866**	1,978,945
Weighted average number for diluted earnings per share	**132,829,156**	132,528,703

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

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in year:		
Preference dividend on cumulative preference shares	**21**	21
Final dividend for the year ended 31 December 2012 of 2.90p per share (2011: 2.60p)	**3,786**	3,388
Interim dividend for the year ended 31 December 2013 of 1.95p per share (2012: 1.80p)	**2,551**	2,351
	6,358	5,760

The proposed final dividend for the year ended 31 December 2013 of 3.15p per share (2012: 2.90p) makes a total dividend for the year of 5.10p (2012: 4.70p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £4,122,000.

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.

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2012	4,070	15,792	19,862
Additions at cost	—	69	69
At 31 December 2012	4,070	15,861	19,931
Additions at cost	—	186	186
At 31 December 2013	**4,070**	**16,047**	**20,117**
Accumulated impairment losses and amortisation			
At 1 January 2012	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
Amortisation	—	1,140	1,140
Impairment losses for the year	204	—	204
At 31 December 2013	**1,900**	**10,223**	**12,123**
Carrying amount			
At 31 December 2013	**2,170**	**5,824**	**7,994**
At 31 December 2012	2,374	6,778	9,152
At 1 January 2012	2,577	7,840	10,417

11. Intangible assets continued

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 reporting date. This company's subsidiary, Road Link (A69) Limited, operates a PFI concession which comprises managing and maintaining the A69 Carlisle to Newcastle trunk road. The company receives payment from 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 twelve 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 £1,744,000 (2012: £2,906,000); see note 24.

12. Property, plant and equipment

Group	Land and buildings £'000	Equipment held for hire £'000	Vehicles £'000	Office equipment £'000	Total £'000
Cost or fair value					
At 1 January 2012	7,287	22,097	4,626	1,743	35,753
Additions at cost	85	3,013	1,313	95	4,506
Disposals	—	(917)	(1,107)	(36)	(2,060)
Transfers to investment properties	(150)	—	(23)	—	(173)
Decrease in fair value in year	(35)	—	—	—	(35)
At 31 December 2012	7,187	24,193	4,809	1,802	37,991
Additions at cost	—	3,303	373	420	4,096
Disposals	—	(1,578)	(581)	(30)	(2,189)
At 31 December 2013	**7,187**	**25,918**	**4,601**	**2,192**	**39,898**
Being:					
Cost	—	25,918	4,601	2,192	32,711
Fair value at 31 December 2013	7,187	—	—	—	7,187
	7,187	**25,918**	**4,601**	**2,192**	**39,898**
Accumulated depreciation and impairment					
At 1 January 2012	337	15,903	2,467	1,424	20,131
Charge for year	—	2,121	728	147	2,996
Impairment loss	75	—	—	—	75
Eliminated on disposals	—	(844)	(895)	(34)	(1,773)
At 31 December 2012	412	17,180	2,300	1,537	21,429
Charge for year	—	2,228	674	184	3,086
Eliminated on disposals	—	(1,463)	(479)	(29)	(1,971)
At 31 December 2013	**412**	**17,945**	**2,495**	**1,692**	**22,544**
Carrying amount					
At 31 December 2013	**6,775**	**7,973**	**2,106**	**500**	**17,354**
At 31 December 2012	6,775	7,013	2,509	265	16,562
At 1 January 2012	6,950	6,194	2,159	319	15,622

At 31 December 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,240,000 (2012: £517,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2013 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 (2012: £6,775,000). Jones Lang LaSalle Limited is a professional valuer who holds recognised and professional qualifications and has recent experience in the location and category of the land and buildings being valued.

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

On the historical cost basis, the land and buildings would have been included at a carrying amount of £2,859,000 (2012: £2,859,000).

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12. Property, plant and equipment continued
Fair value measurements of the Group's land and buildings continued

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

31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Increase/(decrease) in fair value in year
Freehold land	—	—	60	**60**	—
Buildings	—	—	6,715	**6,715**	—
Total fair value	**—**	**—**	**6,775**	**6,775**	**—**

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

Explanation of the fair value hierarchy:

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

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

Class		Buildings
Valuation technique		Yield
Rental value per sq ft (£)	– weighted average	5.98
	– low	2.01
	– high	12.51
Yield %	– weighted average	8.23
	– low	7.02
	– high	9.80

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

	Impact on valuation £'000 Buildings
Yield – improvement by 0.5%	404
Rental value per sq ft – increase by £1 average	983

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

Parent Company	Vehicles £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2012	93	690	783
Additions	—	28	28
Disposals	(46)	(24)	(70)
At 31 December 2012	47	694	741
Additions	—	58	58
Disposals	(23)	(27)	(50)
At 31 December 2013	**24**	**725**	**749**
Depreciation			
At 1 January 2012	64	586	650
Charge for year	17	53	70
Disposals	(36)	(24)	(60)
At 31 December 2012	45	615	660
Charge for year	2	42	44
Disposals	(23)	(26)	(49)
At 31 December 2013	**24**	**631**	**655**
Carrying amount			
At 31 December 2013	**—**	**94**	**94**
At 31 December 2012	2	79	81
At 1 January 2012	29	104	133

13. Investment properties

Fair value measurements recognised in the Statement of Financial Position

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

31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**	Increase/ (decrease) in fair value in year
Completed investment property					
Industrial	—	—	9,435	**9,435**	22
Leisure	—	—	6,408	**6,408**	183
Mixed-use	—	—	54,375	**54,375**	(1,118)
Residential	—	—	4,379	**4,379**	494
Retail	—	—	15,930	**15,930**	(682)
Investment property under construction					
Industrial	—	—	6,830	**6,830**	—
Land	—	—	7,596	**7,596**	(661)
Leisure	—	—	3,709	**3,709**	199
Office	—	—	600	**600**	—
Retail	—	—	23,132	**23,132**	—
Total fair value	**—**	**—**	**132,394**	**132,394**	**(1,563)**

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

Explanation of the fair value hierarchy:

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

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

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

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

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13. Investment properties continued
Completed investment property

Class Fair value hierarchy	Industrial Level 3 £'000	Leisure Level 3 £'000	Mixed-use Level 3 £'000	Residential Level 3 £'000	Retail Level 3 £'000	2013 £'000	2012 £'000
Fair value							
At 1 January	10,978	1,187	54,377	4,314	25,293	**96,149**	86,018
Subsequent expenditure on investment property	137	(9)	1,076	—	93	**1,297**	888
Capitalised letting fees	37	9	68	—	55	**169**	92
Amortisation of capitalised letting fees	(35)	(2)	(28)	—	(22)	**(87)**	(34)
Disposals	—	—	—	(361)	—	**(361)**	(514)
Transfers to assets held for sale	(1,704)	—	—	—	(8,807)	**(10,511)**	(1,900)
Transfer to inventories	—	—	—	(68)	—	**(68)**	(69)
Transfers from property, plant and equipment	—	—	—	—	—	**—**	173
Transfers from investment property under construction	—	5,040	—	—	—	**5,040**	10,576
(Decrease)/increase in fair value in year	22	183	(1,118)	494	(682)	**(1,101)**	919
At 31 December	**9,435**	**6,408**	**54,375**	**4,379**	**15,930**	**90,527**	96,149
Adjustment in respect of tenant incentives	44	42	2,382	—	220	**2,688**	4,685
Adjustment in respect of tax benefits	(49)	—	(422)	—	—	**(471)**	(724)
Market value at 31 December	**9,430**	**6,450**	**56,335**	**4,379**	**16,150**	**92,744**	100,110

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

With the exception of the residential class, completed investment property has been revalued at 31 December 2013 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 £88,365,000 (2012: £95,795,000). Jones Lang LaSalle Limited is a professional valuer who holds recognised and professional qualifications and has recent experience in the location and category of the investment property being valued. The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the yield method valuation technique. The yield method of valuation involves applying market-derived capitalisation yields, and the actual or market-derived future income streams where appropriate, with adjustments for letting voids or rent-free periods as applicable to each property. For all investment properties, their current use equates to the highest and best use.

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

The fair value of the residential class at 31 December 2013 has been determined by the Directors of the Company at £4,379,000 (2012: £4,315,000). The fair value takes into account market evidence based on recent comparable sale transactions adjusted to take into account the tenanted nature of the properties.

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

Class		Industrial	Leisure	Mixed-use	Residential	Retail
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield
Rental value per sq ft (£)	– weighted average	4.89	28.00	11.65	—	9.00
	– low	4.24	22.64	2.50		2.36
	– high	6.00	40.86	58.39	—	26.78
Yield %	– weighted average	7.49	7.30	9.10	—	8.19
	– low	7.15	6.08	6.00	—	4.40
	– high	9.54	7.25	15.56		15.00
% discount applied to houses held under assured tenancies		—	—	—	25.00	—

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

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

	Impact on valuation £'000 Industrial	Leisure	Mixed-use	Residential	Retail
Yield – improvement by 0.5%	603	438	3,043	—	1,155
Rental value per sq ft – increase by £1 average	1,925	242	5,084	—	1,457
Tenancy discount – increase by 1%	—	—	—	50	—

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

13. Investment properties continued

Completed investment property continued

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £7,653,000 (2012: £7,461,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £672,000 (2012: £1,048,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £349,000 (2012: £426,000).

At 31 December 2013, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £321,000 (2012: £3,472,000).

Investment property under construction

Class **Fair value hierarchy**	Industrial Level 3 £'000	Land Level 3 £'000	Leisure Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	**2013** **£'000**	2012 £'000
Fair value							
At 1 January	7,563	8,090	6,669	599	21,305	**44,226**	52,180
Subsequent expenditure on investment property	905	342	1,859	1	1,796	**4,903**	9,358
Capitalised letting fees	—	—	22	—	26	**48**	91
Amortisation of capitalised letting fees	—	—	—	—	(1)	**(1)**	(3)
Disposals	(1,353)	(175)	—	—	—	**(1,528)**	(4,980)
Transfer (to)/from inventories	(285)	—	—	—	6	**(279)**	—
Transfers to completed investment property	—	—	(5,040)	—	—	**(5,040)**	(10,576)
Transfers to construction contracts	—	—	—	—	—	**—**	(2,271)
(Decrease)/increase in fair value in year	—	(661)	199	—	—	**(462)**	427
At 31 December	**6,830**	**7,596**	**3,709**	**600**	**23,132**	**41,867**	44,226
Adjustment in respect of tenant incentives	—	—	—	—	—	**—**	4
Adjustment in respect of tax benefits	—	—	—	—	—	**—**	—
Market value at 31 December	**6,830**	**7,596**	**3,709**	**600**	**23,132**	**41,867**	44,230

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

Class		Industrial	Land	Leisure	Office	Retail
Valuation technique		Residual	Sales comparison	Residual	Residual	Residual
Rental value per sq ft (£)	– weighted average	4.35	—	17.98	15.00	16.02
	– low	4.25	—	10.76	14.00	4.75
	– high	5.50	—	25.20	16.00	32.50
Yield %	– weighted average	7.25	—	5.50	8.50	6.77
	– low	6.75	—	5.00	7.75	4.75
	– high	7.50	—	6.00	9.00	8.00
Costs to complete per sq ft (£)	– weighted average	41.16	3.48	192.44	116.73	151.25
	– low	41.16	0.78	147.80	116.73	44.93
	– high	41.16	5.81	244.41	116.73	246.19
Land value per acre (£'000)	– weighted average	—	106	—	—	—
	– low	—	22	—	—	—
	– high	—	1,550	—	—	—

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

	Impact on valuation £'000				
	Industrial	Land	Leisure	Office	Retail
Yield – improvement by 0.5%	2,864	—	1,245	5	9,601
Rental value per sq ft – increase by £1 average	8,891	—	715	22	6,489
Costs to complete – increase by 1%	682	11	42	16	470
Land value per acre – increase by 5%	—	493	—	—	—

Investment properties under construction are developments which have been valued at 31 December 2013 at fair value by the Directors of the Company using the residual method at £41,867,000 (2012: £44,226,000). The residual method of valuation involves estimating the gross development value of the property using market-derived capitalisation yields and market-derived future income streams. From this gross development value the remaining gross development costs to be incurred are deducted, using market-derived data cost estimates or the actual known costs and including cost contingencies for construction risk as appropriate. In addition a deduction for the anticipated development profits yet to be earned is made, taking into account the progress of the development to date in line with key milestones.

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14. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2012 and 2013	25,772
Additions	10,000
At 31 December 2013	**35,772**
Fair value adjustments	
At 1 January 2012 and 2013	(22,751)
Provisions for losses	(9,652)
At 31 December 2013	**32,403**
Carrying amount	
At 31 December 2013	**3,369**
At 1 January 2012 and 2013	3,021

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.

On 19 December 2013 Henry Boot PLC subscribed for additional equity capital of £10,000,000 in Henry Boot Developments Limited. Both parties agreed that this equity injection was in their best interests and ensured that Henry Boot Developments Limited would have positive net assets at 31 December 2013 despite the fall in property values expected at that year end.

Amounts due from and to subsidiary companies are listed in notes 16 and 21. The principal active subsidiary companies are listed in note 34. 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 Offices 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.

15. Investment in joint ventures

Group	2013 £'000	2012 £'000
Cost		
At 1 January	**22**	30
Share of profit/(loss) for the year	**183**	(8)
Dividends received	**(25)**	—
At 31 December	**180**	22

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

	2013 £'000	2012 £'000
Investment property	**2,004**	291
Current assets	**59**	64
Total assets	**2,063**	355
Current liabilities	**(143)**	(26)
Non-current liabilities	**(1,740)**	(307)
Net investment in joint ventures	**180**	22

	2013 £'000	2012 £'000
Revenue	**—**	—
Administration and other expenses	**(21)**	(10)
Increase in fair value of investment properties	**225**	—
Operating profit/(loss)	**204**	(10)
Finance costs	**(33)**	—
Profit/(loss) before tax	**171**	(10)
Tax	**12**	2
Share of profits/(losses) from joint ventures after tax	**183**	(8)

Details of the Group's significant investments in joint ventures are listed in note 34.

16. Trade and other receivables

	Group 2013 £'000	Group 2012 £'000	Parent Company 2013 £'000	Parent Company 2012 £'000
Trade receivables	**49,893**	45,579	**158**	196
Prepayments	**2,318**	2,611	**414**	586
Amounts owed by related companies	**3,578**	616	**—**	—
Amounts owed by Group undertakings	**—**	—	**188,841**	178,508
	55,789	48,806	**189,413**	179,290
Due within one year	**43,103**	37,268	**189,413**	179,290
Due after more than one year	**12,686**	11,538	**—**	—
	55,789	48,806	**189,413**	179,290

Included in the Group's trade receivable balance are receivables with a carrying amount of £3.0m (2012: £2.7m) 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

	2013 £'000	2012 £'000
30–60 days	**1,709**	2,236
60–90 days	**1,061**	279
90–120 days	**69**	98
120+ days	**138**	57
	2,977	2,670

Movement in the allowance for doubtful receivables

	2013 £'000	2012 £'000
At 1 January	**190**	179
Impairment losses recognised	**285**	121
Amounts written off as uncollectable	**(137)**	(59)
Amounts recovered during the year	**(39)**	(51)
At 31 December	**299**	190

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

	2013 £'000	2012 £'000
0–30 days	**16**	3
30–60 days	**6**	18
60–90 days	**4**	12
90–120 days	**32**	25
120+ days	**241**	132
	299	190

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 £2,560,000 (2012: £6,414,000), of which £Nil (2012: £Nil) has been provided in the year and £3,854,000 (2012: £1,622,000) 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 (restated)	Other timing differences £'000	Total £'000 (restated)
At 1 January 2012	19	1,265	5,662	418	7,364
Recognised in income	129	(229)	(592)	228	(464)
Recognised in other comprehensive income	—	102	1,953	(51)	2,004
At 31 December 2012	148	1,138	7,023	595	8,904
Recognised in income	(6)	(382)	(561)	(143)	(1,092)
Recognised in other comprehensive income	—	84	(2,447)	(38)	(2,401)
At 31 December 2013	**142**	**840**	**4,015**	**414**	**5,411**
Parent Company					
At 1 January 2012	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
Recognised in income	(4)	—	(561)	(62)	(627)
Recognised in other comprehensive income	—	—	(2,447)	—	(2,447)
At 31 December 2013	**29**	**—**	**4,015**	**401**	**4,445**

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 £1,399,000 (2012: £1,444,000). 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 23% to 21% effective from 1 April 2014 and from 21% to 20% effective from 1 April 2015, both of which were substantively enacted on 2 July 2013, the relevant deferred tax balances have been re-measured. Deferred tax balances at the year end have been measured at 23%, 21% and 20% being the rates at which timing differences are expected to reverse.

18. Inventories

	2013 £'000	2012 £'000
Developments in progress	**7,110**	5,708
Land, options and agency agreements held for development	**83,903**	75,852
	91,013	81,560

Within developments in progress £94,000 (2012: £39,000) 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 £2,008,000 (2012: £198,000) 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.

19. Construction contracts

	2013 £'000	2012 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in trade receivables	**1,089**	1,745
Amounts due to contract customers included in trade payables	**(4,435)**	(7,519)
	(3,346)	(5,774)
Contract costs incurred plus recognised profits less recognised losses to date	**333,304**	283,536
Less: progress billings	**(336,650)**	(289,310)
	(3,346)	(5,774)

At 31 December 2013, retentions held by customers for contract work amounted to £1,458,000 (2012: £1,040,000). Advances received from customers for contract work amounted to £4,435,000 (2012: £7,186,000).

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 individually being actively marketed for sale with expected completion dates within one year. At the reporting date assets classified as held for sale represent industrial units at our Rotherham and Clifton Moor, York, developments.

Assets classified as held for sale comprise the following:

	Investment property £'000
Fair value	
At 1 January 2012	909
Transfer from investment property	1,900
Disposals	(909)
At 31 December 2012	1,900
Transfers from investment property	10,511
Disposals	(1,900)
At 31 December 2013	**10,511**
Adjustment in respect of tenant incentives	1,356
Adjustment in respect of tax benefits	—
Market value at 31 December 2013	**11,867**

Assets classified as held for sale have been valued at 31 December 2013 at fair value by the Directors of the Company at £11,867,000 (2012: £1,900,000). The fair value is based on management's estimate of the likely outcomes of the offers received or expected to be received as at 31 December 2013.

21. Trade and other payables

	Group		Parent Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade payables	**46,829**	47,829	**958**	1,169
Social security and other taxes	**2,935**	2,138	**364**	318
Accrued expenses	**939**	874	**598**	476
Deferred income	**4,206**	2,930	**—**	—
Interest rate swap liability	**102**	253	**—**	—
Amounts owed to related parties	**—**	6	**—**	—
Amounts owed to Group undertakings	**—**	—	**70,253**	80,599
	55,011	54,030	**72,173**	82,562
Due within one year	**50,171**	51,786	**72,173**	82,562
Due after more than one year	**4,840**	2,244	**—**	—
	55,011	54,030	**72,173**	82,562

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

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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 £98,000 (2012: £80,000).

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 2013 this was £36.1m (2012: £21.9m). Equity comprises all components of equity and at 31 December 2013 this was £193.5m (2012: £181.9m).

During 2013 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.

Due to the uncertain timing of our forecast land and property sales during December the Group deemed it appropriate to apply for a short term increase in our borrowing facility. On 25 November 2013 the Group's overdraft facility was increased by £5m for a period of three months. The eventual timing of the Group's land and property transactions during December resulted in no utilisation of this additional facility.

The Group's secured bank facilities are subject to covenants over loan to market value of investment properties, interest cover, gearings and minimum consolidated tangible assets value.

The Group has other bank debt on which there are also covenant requirements. The Group operated comfortably within all of its requirements throughout the year.

24. Borrowings

	Group		Parent Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Bank overdrafts	**—**	—	**739**	942
Bank loans	**48,746**	22,331	**45,000**	18,000
Government loans	**2,953**	2,829	**—**	—
Loans from related parties	**—**	200	**—**	—
	51,699	25,360	**45,739**	18,942
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	**47,095**	19,965	**46,155**	19,119
In the second year	**1,033**	2,933	**—**	—
In the third to fifth years inclusive	**2,574**	3,331	**—**	—
After five years	**2,078**	1,818	**—**	—
	52,780	28,047	**46,155**	19,119
Due within one year	**47,095**	19,965	**46,155**	19,119
Due after one year	**5,685**	8,082	**—**	—
	52,780	28,047	**46,155**	19,119

The weighted average interest rates paid were as follows:

	2013 %	2012 %
Bank overdrafts	**3.32**	3.26
Bank loans – floating rate	**2.52**	2.86
Bank loans – floating rate (relating to Road Link (A69) Limited)	**1.47**	2.00
Bank loans – floating rate (relating to Stonebridge Projects (Park House) Limited)	**2.78**	3.01
Government loans	**—**	—
Related party loans – floating rate (relating to Stonebridge Projects Limited)	**5.00**	5.00

Bank overdrafts are repayable on demand.

24. Borrowings continued

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 Offices 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 Offices Limited bank loan is secured by a specific charge over the freehold property of that company and is without recourse to the rest of the Group. The loan was renewed on 11 December 2013 for a period of 5 years and is repayable in quarterly instalments of £25,000 that will commence on 11 March 2014 with full and final settlement becoming due on 10 December 2018.

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 was repaid on 19 December 2013.

The bank loan of £1,744,000, 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 2013, a 1.0% (2012: 1.0%) change in interest rates, which the Directors consider to be a reasonable possible change, would affect profitability before tax by £290,000.

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 2013, the Group had available £22,455,000 (2012: £31,425,000) undrawn committed borrowing facilities.

25. Derivative financial instruments

Interest rate swap – cash flow hedge

At 31 December 2013, an interest rate swap transaction was in place covering a bank loan of £1,744,000 (2012: £2,906,000) 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 2013 was a liability of £102,000 (2012: £253,000), 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:

	2013 £'000	2012 £'000
Derivative financial liabilities:		
Level 1	**—**	—
Level 2	**102**	253
Level 3	**—**	—
Total fair value	**102**	253

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.

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26. Provisions

	Land development £'000	Road maintenance £'000	Other £'000	Total £'000
At 1 January 2013				
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
Additional provisions in year	136	1,116	—	1,252
Unwinding of discount	21	—	—	21
Utilisation of provisions	(5,533)	(702)	(13)	(6,248)
Non-utilisation of provisions	—	—	(1)	(1)
At 31 December 2013	**11,891**	**1,543**	**25**	**13,459**
Included in current liabilities	5,579	1,543	25	7,147
Included in non-current liabilities	6,312	—	—	6,312
	11,891	**1,543**	**25**	**13,459**

The land development provision represents management's best estimate of the Group's liability to provide infrastructure and service obligations, which remain with the Group following the disposal of land. The provision is calculated using the present value of the estimated cash flows required to settle the present obligations and pro-rated on an acreage allocation basis where disposals occur over a number of phases such that provisions are only made in relation to the land which has been disposed. Based on 1.0% change in the discount rate and a 5.0% change in the estimated cash outflows, both of which the Directors consider to be a reasonable possible change, land development provisions would change and affect profitability before tax by £207,000 and £583,000 respectively.

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset. Based on a 5.0% change in the estimated cash outflows, which the Directors consider to be a reasonable possible change, the road maintenance provision would change and affect profitability before tax by £78,000.

Other provisions include any liabilities where the Directors anticipate that a present obligation would result in a future outflow of resources, including legal and regulatory penalties or claims, 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 £501,000 (2012: £236,000) represents contributions payable to the scheme by the Group. The increase in scheme contributions arises from a salary sacrifice scheme introduced on 1 January 2013.

Defined benefit pension scheme

The Group sponsors a funded defined benefit pension scheme in the UK. The scheme is administered within a trust which is legally separate from the Group. Trustees are appointed by both the Group and the scheme's membership and act in the interest of the scheme and all relevant stakeholders, including the members and the Group employers. The trustees are also responsible for the investment policy for the scheme's assets.

Existing scheme members continue to accrue benefits, but the scheme is closed to new entrants. Members accrue an annual pension of either 1/45th or 1/60th of final pensionable salary for each year of pensionable service. Increases in pensionable salary are limited to 1% per annum. Once in payment, pensions increase in line with inflation. The scheme also provides a two-thirds spouse's pension on the death of a member.

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

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

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

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

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

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

27. Retirement benefit obligations continued

Defined benefit pension scheme continued

A formal actuarial valuation is being carried out as at 31 December 2012. The results of that valuation have been projected to 31 December 2013 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

	2013 %	2012 %
Retail Prices Index (RPI)	**3.00**	2.75
Retail Prices Index 'Jevons' (RPIJ)	**2.40**	—
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)	**2.40**	2.75
Revaluation of deferred pensions	**2.00**	2.00
Liabilities discount rate	**4.50**	4.45

Mortality assumptions	**2013 Years**	2012 Years
Retiring today (aged 65)		
Male	**22.3**	21.5
Female	**24.6**	24.3
Retiring in 20 years (currently aged 45)		
Male	**23.6**	23.4
Female	**26.2**	26.1

The mortality assumptions are consistent with the assumptions used in the most recent triennial valuation. These are the Self Administered Pension Schemes (SAPS) tables with allowance for future improvements in line with Continuous Mortality Investigation (CMI) 2012 with an annual improvement of 1% per annum.

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

		Impact on scheme liabilities	
	Change in assumption	Increase in assumption	Decrease in assumption
Retail Prices Index (RPI)	0.25%	Increase by 3.3%	Decrease by 3.3%
Rate of general increases in salaries	0.25%	Nil*	Nil*
Liabilities discount rate	0.25%	Decrease by 3.7%	Increase by 3.9%
Rate of mortality	1 year	Increase by 2.8%	Decrease by 2.6%

* 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.

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

	2013 £'000	2012 £'000 (restated)
Service cost:		
Current service cost	**(1,200)**	(784)
Ongoing scheme expenses	**(340)**	(273)
Net interest expense	**(1,288)**	(1,051)
Pension Protection Fund	**(206)**	(86)
Pension expenses recognised in profit or loss	**(3,034)**	(2,194)
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(5,825)**	(3,632)
Actuarial gains arising from changes in demographic assumptions	**(2,191)**	—
Actuarial (gains)/losses arising from changes in financial assumptions	**(5,937)**	14,532
Actuarial losses/(gains) arising from experience adjustments	**5,416**	(758)
Actuarial (gains)/losses recognised in other comprehensive income	**(8,537)**	10,142
Total	**(11,571)**	7,948

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27. Retirement benefit obligations continued
Defined benefit pension scheme continued

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

	2013 £'000	2012 £'000
Present value of scheme obligations	156,254	157,233
Fair value of scheme assets	(136,179)	(126,700)
	20,075	30,533

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

	2013 £'000	2012 £'000
Non-current liabilities	20,075	30,533

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

	2013 £'000	2012 £'000 (restated)
At 1 January	157,233	142,322
Current service cost	1,200	784
Interest on obligation	6,883	6,972
Contributions from scheme members	6	301
Actuarial (gain)/loss	(2,712)	13,774
Benefits paid	(6,356)	(6,920)
At 31 December	156,254	157,233

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

	2013 £'000	2012 £'000 (restated)
At 1 January	126,700	119,673
Interest income	5,595	5,921
Actuarial gain on scheme assets	5,825	3,632
Employer contributions	4,749	4,366
Contributions from scheme members	6	301
Benefits paid	(6,356)	(6,920)
Ongoing scheme expenses	(340)	(273)
At 31 December	136,179	126,700

Included in equities are 2,250,000 (2012: 2,250,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £4,500,000 (2012: £3,037,500).

The current estimated amount of total contributions expected to be paid to the scheme during the 2014 financial year is £4,736,000, being £4,731,000 payable by the Group and £5,000 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 Group.

The Company's level of recovery plan funding to the scheme is £3,600,000 per annum which will be reviewed at the next triennial valuation. In addition to this, and 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.

28. Operating leases

The Group as lessee

	2013 £'000	2012 £'000
Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the year	**181**	176

At 31 December 2013, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013 £'000	2012 £'000
Within one year	**63**	80
In the second to fifth years inclusive	**32**	89
After five years	**—**	—
	95	169

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.

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:

	2013 £'000	2012 £'000
Within one year	**7,094**	7,015
In the second to fifth years inclusive	**27,596**	26,342
After five years	**59,822**	63,188
	94,512	96,545

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	2013 £'000	2012 £'000
Management charges receivable	**1,140**	1,140
Interest receivable	**8,451**	7,799
Interest payable	**(2,770)**	(2,653)
Rents payable	**(151)**	(150)
Recharge of expenses	**104**	158

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

Purchases of goods and services	2013 £'000	2012 £'000
Close family members of key management personnel (amounts paid for IT services)	**37**	37
Related companies of key management personnel (amounts paid for Non-executive Director services)	**35**	35

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.

A related party loan from Stonebridge Homes Limited of £200,000 was repaid on 19 December 2013.

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 54 to 59.

	2013 £'000	2012 £'000
Short-term employee benefits	**1,399**	1,468
Post-employment benefits	**47**	46
Share-based payments	**385**	286
	1,831	1,800

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for the year ended 31 December 2013

30. Share capital

	Allotted, issued and fully paid	
	2013 £'000	2012 £'000
400,000 5.25% cumulative preference shares of £1 each	**400**	400
131,096,122 ordinary shares of 10p each (2012: 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 2010 Sharesave Plan
This savings related share option plan was approved by shareholders in 2010 and 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 2012	Options lapsed	Options exercised	**Options outstanding at 31 December 2013**
October 2011 grant	840,023	(22,924)	(12,734)	**804,365**

The weighted average share price at the date of exercise for share options exercised during the period was 184.28p.

(B) 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 50.

The aggregate total of movements in share options granted and awards of shares is as follows:

	2013 Number	2012 Number
Share options granted at 1 January	**1,755,068**	2,003,285
Lapses of share options in year	**(251,133)**	(370,083)
Awards of shares in year	**(283,132)**	(292,698)
Share options granted in year	**338,779**	414,564
Share options granted at 31 December	**1,559,582**	1,755,068

The weighted average share price at the date of exercise for share options exercised during the period was 171.41p (2012: 130.55p).

30. Share capital continued

Share-based payments continued

(C) 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 2012	Options lapsed	Options exercised	**Options outstanding at 31 December 2013**
May 2011 grant	240,000	(6,856)	(10,666)	**222,478**

The weighted average share price at the date of exercise for share options exercised during the period was 191.25p.

Fair value

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

	LTIP	CSOP	Sharesave 2011
Weighted average exercise price	Nil	121.5p	106.0p
Weighted average share price	137.6p	121.5p	115.5p
Expected volatility	31.73% to 42.72%	41.47%	37.14%
Expected life	3 years	3 years	3 years
Risk-free rate	0.31% to 1.67%	1.67%	0.86%
Expected dividend yield	3.30% to 5.02%	5.02%	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 79.14p (2012: 61.4p).

Expense recognised in the Statement of Comprehensive Income

	2013 £'000	2012 £'000
The total expense recognised in the Statement of Comprehensive Income arising from share-based payment transactions	**429**	504

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

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for the year ended 31 December 2013

31. Reserves

Group	Property revaluation £'000	Retained earnings £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Hedging £'000	Other: Total other £'000
At 1 January 2012	3,354	165,093	271	3,134	209	(189)	3,425
Profit for the year (restated)	—	9,114	—	—	—	—	—
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 (restated)	—	(10,142)	—	—	—	—	—
Deferred tax on actuarial loss (restated)	—	1,953	—	—	—	—	—
At 31 December 2012	3,271	160,692	271	3,134	209	(117)	3,497
Profit for the year	—	11,315	—	—	—	—	—
Dividends paid	—	(6,358)	—	—	—	—	—
Movements in fair value of cash flow hedge	—	—	—	—	—	92	92
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	(23)	(23)
Deferred tax on revaluation surplus	84	—	—	—	—	—	—
Arising on employee share schemes	—	199	—	—	—	—	—
Unrecognised actuarial gain	—	8,537	—	—	—	—	—
Deferred tax on actuarial gain	—	(2,447)	—	—	—	—	—
At 31 December 2013	**3,355**	**171,938**	**271**	**3,134**	**209**	**(48)**	**3,566**

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Investment revaluation £'000	Other: Total other £'000
At 1 January 2012	51,731	271	3,134	211	1,135	4,751
Profit for the year (restated)	3,223	—	—	—	—	—
Dividends paid	(5,760)	—	—	—	—	—
Unrecognised actuarial loss (restated)	(10,142)	—	—	—	—	—
Deferred tax on actuarial loss (restated)	1,953	—	—	—	—	—
Arising on employee share schemes	148	—	—	—	—	—
At 31 December 2012	41,153	271	3,134	211	1,135	4,751
Profit for the year	11,342	—	—	—	—	—
Dividends paid	(6,358)	—	—	—	—	—
Unrecognised actuarial gain	8,537	—	—	—	—	—
Deferred tax on actuarial gain	(2,447)	—	—	—	—	—
Arising on employee share schemes	72	—	—	—	—	—
At 31 December 2013	**52,299**	**271**	**3,134**	**211**	**1,135**	**4,751**

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

Retained earnings
Retained earnings represent the accumulated profits and losses of the Group.

Capital redemption reserve
The capital redemption reserve represents the purchase and cancellation by the Company of its own shares and comprises the aggregate nominal value of all the ordinary shares repurchased and cancelled.

31. Reserves continued

Share premium reserve

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

Capital reserve

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

Hedging reserve

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of the hedging instrument entered by the Group for the purposes of cash flow hedging. The hedge is 100% effective and as such cumulative gains or losses arising on changes in the fair value of the hedging instrument that are recognised and accumulated in the hedging reserve will not subsequently be reclassified to profit or loss.

Investment revaluation reserve

The investment revaluation reserve represents enhancements to the original cost of shares in subsidiary companies 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 £1,135,000 in 1989 and are not distributable.

32. Cost of shares held by the ESOP trust

Group	**2013 £'000**	2012 £'000
At 1 January	**444**	601
Additions	**—**	79
Disposals	**(256)**	(236)
At 31 December	**188**	444

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 2013, the Trustee held 239,832 shares (2012: 546,364 shares) with a cost of £188,116 (2012: £444,397) and a market value of £479,664 (2012: £737,537). 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.

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.

Financial statements

Notes to the financial statements continued

for the year ended 31 December 2013

34. 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 2013, 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 Offices Limited (formerly Stonebridge Projects (Park House) Limited)	50%	Property investment and development
Winter Ground Limited	100%	Property investment and development

During the year the Group acquired 100% of the ordinary share capital of Henry Boot Construction (Harrogate) Limited for £1.5m on 19 March 2013. On 19 March Henry Boot Construction (Harrogate) Limited purchased land and buildings at Skipton Road, Harrogate for £1.5m and at the same time entered in to a lease to let the property for a period of six years. On 19 March 2013 Henry Boot Construction Limited entered in to a contract for the redevelopment of said property with the lessee whilst at the same time entering in to a sale and purchase agreement with the lessee for the full ordinary share capital of Henry Boot Construction (Harrogate) Limited. The group deem that although it owns 100% of the ordinary share capital of Henry Boot Construction (Harrogate) Limited it does not have control of the company and accordingly has not consolidated the company within these Financial Statements.

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 the inside back cover.

Shareholder information
Property valuers' report

JONES LANG LASALLE

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THE DIRECTORS
Henry Boot PLC
Banner Cross Hall
Ecclesall Road South
Sheffield
S11 9PD
31 December 2013

Dear Sirs,

HENRY BOOT PLC

Group property portfolio valuation – 31 December 2013

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 2013. 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 2013, is:

Freehold properties	£91,015,000
Leasehold properties	£3,900,000
Mixed tenure properties	£225,000
Total	**£95,140,000**

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
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 22 May 2014 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, 9 and 10 as ordinary resolutions of the Company and as to Resolutions 7 and 8 as special resolutions of the Company.

Resolution 1

To receive the Directors' and Auditors' Reports, Strategic Report and the Financial Statements for the year ended 31 December 2013.

Resolution 2

To declare a final dividend of 3.15p per ordinary share.

Resolution 3

To re-appoint J J Sykes as a Director, who retires by rotation.

Resolution 4

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

Resolution 5

To authorise the Directors to fix the auditors' remuneration.

Resolution 6

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 21 August 2015 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 7

THAT subject to the passing of Resolution 6 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 6 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 21 August 2015 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 8

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 21 August 2015; 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 9

To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 December 2013.

Resolution 10

To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 December 2013.

By order of the Board

R A Deards
Company Secretary
17 April 2014

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

Shareholder information
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 20 May 2014 (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 form of proxy. 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 form of proxy in relation to each appointment. Additional forms of proxy may be obtained by photocopying the form of proxy. State clearly on each form of proxy the number of shares in relation to which the proxy is appointed.

   To be valid, a form of proxy must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Capita Asset Services, 34 Beckenham Road, Beckenham BR3 4TU, no later than 12.30pm on 20 May 2014 (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 form of proxy, 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 Asset Services no later than 12.30pm on 20 May 2014 (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 AGM (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which is available at www.euroclear.com. 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 Asset Services (ID:RA10) no later than 12.30pm on 20 May 2014 (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 Asset Services 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 17 April 2014 was 131,096,122 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

Shareholder information
Financial calendar

London Stock Exchange announcements
Preliminary Statement of Results 2013:
27 March 2014

First 2014 Interim Management Statement:
early May 2014

Half-yearly Results 2014:
22 August 2014

Second 2014 Interim Management Statement:
mid November 2014

Trading Update 2014:
end January 2015

Annual Report and Financial Statements 2013 and Half-yearly Report 2014
Annual Report and Financial Statements 2013:
by 17 April 2014

Half-yearly Report 2014:
early September 2014

Annual General Meeting
22 May 2014

Dividends paid on ordinary shares
2013 Final:
30 May 2014

2014 Interim:
end October 2014

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 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 Asset Services
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

Group contact information

Registered office
Henry Boot PLC
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Ecclesall Road South
Sheffield S11 9PD
t: 0114 255 5444
f: 0114 258 5548
e: plc@henryboot.co.uk
w: www.henryboot.co.uk

Property Investment and Development
Henry Boot Developments Limited
Head office
Banner Cross Hall
Ecclesall Road South
Sheffield S11 9PD
t: 0114 255 5444
e: hbdl@henryboot.co.uk
w: www.henrybootdevelopments.co.uk

Regional offices: Bristol, Glasgow, London and Manchester

Stonebridge Projects Limited
Head office
Park House
Park Square West
Leeds LS1 2PW
t: 0113 357 1100
e: sales@stonebridgehomes.co.uk
or info@stonebridgeoffices.co.uk
w: www.stonebridgehomes.co.uk
or www.stonebridgeoffices.co.uk

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

Regional offices: Bristol, Glasgow, Leeds, London, Manchester and Northampton

Construction
Henry Boot Construction Limited
Head office
Callywhite Lane
Dronfield
Derbyshire S18 2XN
t: 01246 410111
e: hbc@henryboot.co.uk
w: www.henrybootconstruction.co.uk

Regional office: Manchester

Banner Plant Limited
Head office
Callywhite Lane
Dronfield
Derbyshire S18 2XS
t: 01246 299400
e: dronfield@bannerplant.co.uk
w: www.bannerplant.co.uk

Hire centres: Chesterfield, Derby, Dronfield, Leeds, Rotherham and Wakefield

Road Link (A69) Limited
Stocksfield Hall
Stocksfield
Northumberland NE43 7TN
t: 01661 842842
e: enquiries@roadlink69.co.uk

Front cover
Top (left to right)
Victoria Payne, Assistant Planner, Hallam Land Management Limited (3 months' service)
Katie Dean, Area Manager, Hallam Land Management Limited (2 years' service)
Mick Baxter, Agent, Henry Boot Construction Limited (39 years' service, retired in August 2013)
Dave Totty, Production Manager, Henry Boot Construction Limited (33 years' service)
Ben Ward (far left), Regional Manager, Henry Boot Developments Limited (7 years' service)

Bottom (left to right)
Planning – Northcraigs, Kilmarnock
Constructing – Bifrangi UK Ltd, Lincoln
Developing – The Chocolate Works, York

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Paper from responsible sources
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FSC www.fsc.org

The Group's commitment to environmental issues is reflected in this Annual Report which has been printed on Heaven 42 and UPM Fine, which are made from FSC® certified materials. The report was printed in the UK using an environmental printing technology and vegetable inks were used throughout.

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designportfolio
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Glossary of terms

We have used some terms in this report to explain how we run our business but which might be unfamiliar to you. The following list gives a definition for some of the more frequently used terms:

Commercial property
This refers to buildings or land intended to generate a profit, either from capital gain or rental income, such as office buildings, industrial property, retail stores, etc.

Disclosure and Transparency Rules (DTR)
Issued by the United Kingdom Listing Authority.

Dividend
A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders.

Gearing
Net debt expressed as a percentage of equity shareholders' funds.

Earnings per share (EPS)
Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.

IAS
International Accounting Standard.

IASB
International Accounting Standards Board.

IFRS
International Financial Reporting Standard.

LIBOR
The London Interbank Offered Rate is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market (or interbank market).

Net asset value per share (NAV)
Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.

Pre-let
A lease signed with a tenant prior to completion of a development.

PFI contract
A Private Finance Initiative contract is a contract between a public body and a private company and involves the private sector making capital investment in the assets required to deliver improved services. They are typified by long contract lengths, often 30 years or more.

Renewable energy
Energy which comes from natural resources such as sunlight, wind, rain, tides, waves and geothermal heat, which are naturally replenished.

Retail Price Index (RPI)/Retail Price Index 'Jevons' (RPIJ)/Consumer Price Index (CPI)
Monthly inflation indicators based on different 'basket' of products issued by the Office of National Statistics.

Return on capital employed (ROCE)
A financial ratio that measures a company's profitability and the efficiency with which its capital is employed.

Total shareholder return (TSR)
Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.

Turn over to see the glossary of terms used in the report

Construction

Henry Boot Construction Limited
Head office
Callywhite Lane
Dronfield
Derbyshire S18 2XN
t: 01246 410111
e: hbc@henryboot.co.uk
w: www.henrybootconstruction.co.uk

Regional office: Manchester

Banner Plant Limited
Head office
Callywhite Lane
Dronfield
Derbyshire S18 2XS
t: 01246 299400
e: dronfield@bannerplant.co.uk
w: www.bannerplant.co.uk

Hire centres: Chesterfield, Derby, Dronfield, Leeds, Rotherham and Wakefield

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Henry Boot PLC
Further copies of the 2013 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 and Wales
No. 160996

t: 0114 255 5444
f: 0114 258 5548
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www.henryboot.co.uk