Henry Boot

Henry Boot PLC

Annual Report and Financial Statements
for the year ended 31 December 2015

www.henryboot.co.uk
Stock code: BHY

Cohesive Consistent Confident

Henry Boot

Welcome to our 2015 Annual Report

Year of transition and strong progress

In a year of many changes, our belief in our founder's values, our purpose and our strategy, as well as careful succession planning, gave us the confidence that we could continue to deliver consistently to our stakeholders. Our cohesive approach has allowed us to make strong progress.

I am delighted to report a 14% increase in profit before tax to £32.4m for the year ended 31 December 2015. Once again, all our business segments performed well within a solid UK economy. Profit growth and a reduced pension deficit saw our net asset value per share rise by 16p to 168p per share.

Our strategic land business is operating in stable market conditions. There is good demand for high quality residential sites from the strongly performing UK house builders, which is matched by a good supply of planning permissions. Within commercial property development, 2015 has seen several larger scale developments move to the delivery stage with the result that 2016 will see us begin to deliver approximately a dozen projects with a gross development value (GDV) of around £500m over a period of four years. In excess of 90% of this GDV is pre-sold and almost all is pre-let.

In addition, we delivered over 40 houses from our jointly-owned house builder and expect to add to this in 2016. Our Construction segment, including a strong performance from plant hire, once again performed well, underpinned by the stable income stream from our PFI project, delivering expected levels of return.

Board changes

John Brown and Mike Gunston retired as Non-executive Chairman and Non-executive Director respectively at the end of 2015. On behalf of the Company, I would like to thank them for their valuable contribution over the last nine years. At that time, I became Non-executive Chairman, whilst John Sutcliffe, previously Group Finance Director, took over from me as Chief Executive Officer and Darren Littlewood, previously Group Financial Controller, moved into the role of Group Finance Director. As announced in August 2015, Joanne Lake, Peter Mawson and Gerald Jennings joined the Board as Non-executive Directors. The newly constituted Board has many years of experience within Henry Boot or the broader real estate industry, as well as in corporate finance, and is committed to the delivery of our strategy into the future.

Dividend

I am pleased to report that following on from another very good result, the Board will recommend an increased final dividend of 3.80p, giving a total for the year of 6.10p (2014: 5.60p), an increase of 9%.

Payment of the final dividend is subject to shareholder approval at the AGM and will be paid on 31 May 2016 to shareholders on the register as at 29 April 2016.

Our talented team

The results achieved in this year, and the quality of the opportunities we have, are a testament to our teams of talented individuals. Their skill, hard work and dedication continue to deliver great projects and bring in new opportunities for the future. On behalf of the Board and our shareholders, we thank them for their continuing efforts once again. I look forward to reporting on our combined teams' further successes through 2016 and beyond.

Outlook

The coming year should see us deliver more commercial development schemes than at any time in the Company's history. Our portfolio covering strategic land, commercial development and construction projects has never been larger or as far advanced in planning terms. The degree to which we have already achieved pre-lets, pre-sales and planning permissions gives us great confidence in our ability to deliver these schemes profitably and we are fully focused on this. Our strategy remains to deliver long-term growth in shareholder value and we continue to successfully acquire early stage strategic land and commercial development opportunities for our business to enable us to continue to create future value. I have taken over as Chairman with the business in excellent shape and with our people energised to deliver significant growth in activity. I look forward to reporting on progress through 2016 and beyond.

Jamie Boot
Chairman

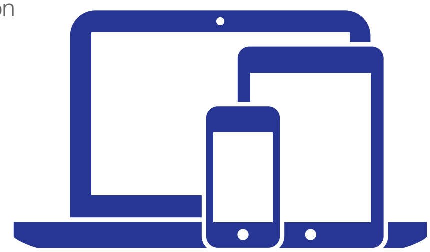
22 April 2016

Highlights of the year

- Circa £500m of commercial activity expected to commence in 2016 concluding over the next four years. Mostly pre-sold and almost all pre-let.
- Almost 150 strategic land schemes throughout the country with over 12,000 permissioned units to sell over the next 3-5 years.
- Sales of 1,763 plots in the year compared to 1,107 in 2014.
- Within Construction, major contract at Stocksbridge concluding in 2016, a new similar sized three-year contract to follow on, underpinning activity up to 2019.
- Succession planning Board changes implemented seamlessly during 2015. New team takes business on in great shape.
- Record dividend of 6.10p, a 9% increase.
- Gearing levels stable despite significant growth in activity.

Read more information in our **Financial Review** on pages **32** to **37**

Quick links to further reading



Visit us online

For more information on Henry Boot PLC please visit our website at **www.henryboot.co.uk**

Overview

Consistent Performance
Our year in numbers

Group

The strength of our business and our consistent growth is achieved through our diverse business segments. This business model allows us to invest prudently in appropriate market opportunities throughout the business cycle, delivering long-term shareholder value growth.

Read more about how our segments support our **Business Model** on pages **10** and **11**

Pictured Burdiehouse near Edinburgh, a development of over 300 houses.

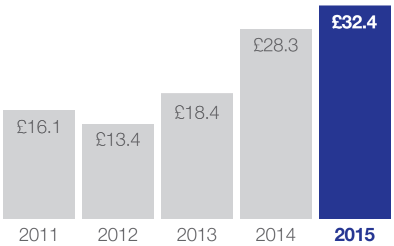
Pictured Euro Garages based at Markham Vale Derbyshire.

Pictured Yeadon extra care housing scheme awarded by Leeds City Council.

Profit before tax (£m)

+14%

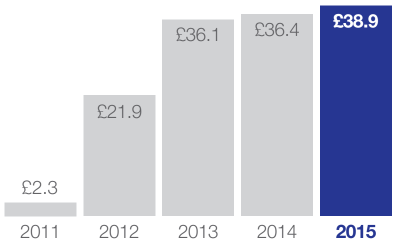
£32.4m



Net debt (£m)

+7%

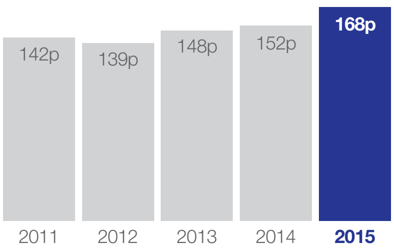
£38.9m



Net asset value per ordinary share (p)

+10%

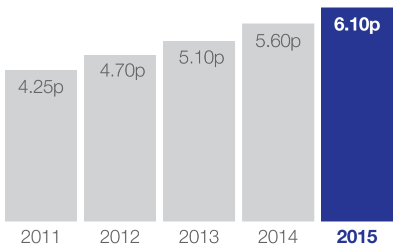
168p



Dividends per ordinary share (p)

+9%

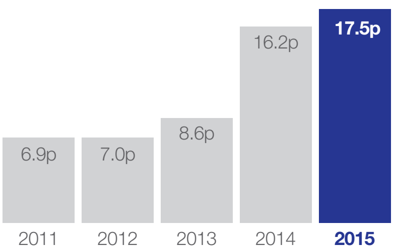
6.10p



Earnings per ordinary share (p)

+8%

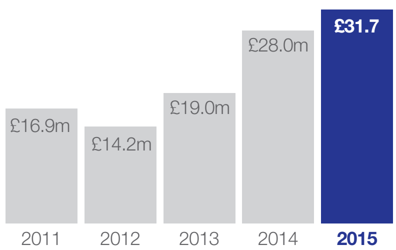
17.5p



Operating profit (£m)

+13%

£31.7m



Segmental performance

Land Development

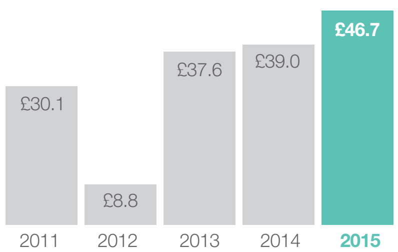
Hallam Land Management Limited

The strategic land and planning promotion arm of the Henry Boot Group. Our experienced land and planning teams promote opportunities through the complexities of the UK planning system and sell schemes to the UK house builders. The company has been acquiring, promoting, developing and trading in land since 1990.

Total revenue (£m)

+20%

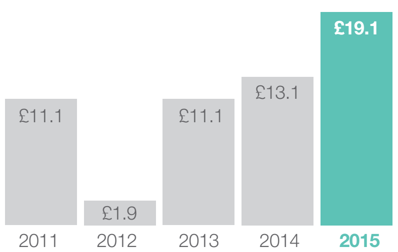
£46.7m



Profit before tax (£m)

+46%

£19.1m



Property Investment and Development

Henry Boot Developments Limited

A major established leading force in the UK property development market. The company has also built up an investment portfolio of over £100m in recent years.

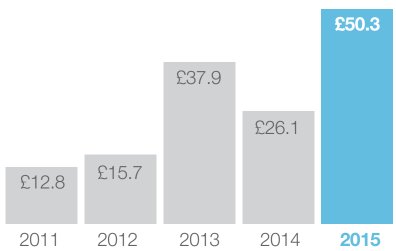
Stonebridge Projects Limited

A jointly owned company in the north of England which develops family homes that combine care, consideration and attention to detail. The company also provides high specification fully serviced office space to small business occupiers.

Total revenue (£m)

+93%

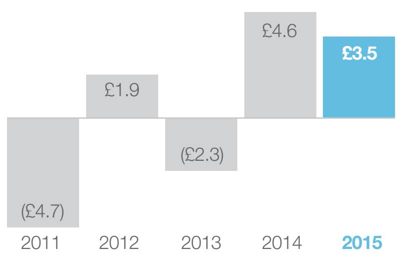
£50.3m



Profit/(loss) before tax (£m)

-24%

£3.5m



Construction

Henry Boot Construction Limited

Specialising in serving both public and private clients in all construction and civil engineering sectors.

Banner Plant Limited

Offering a wide range of construction equipment and services for sale and hire.

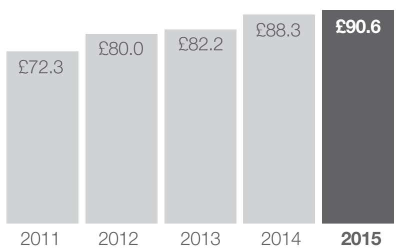
Road Link (A69) Limited

Road Link has a 30-year contract (ten years remaining) with Highways England to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne.

Total revenue (£m)

+3%

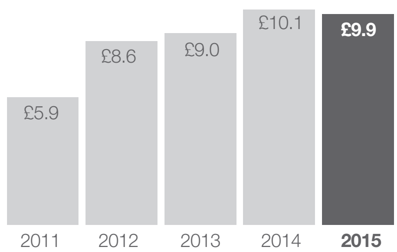
£90.6m



Profit before tax (£m)

-2%

£9.9m



OUR VALUES

Our reputation is a key asset which is fundamental to the success of Henry Boot PLC; our values are what ensure that employees, suppliers, investors and other stakeholders have the confidence to trust that we will carry out business ethically.

By embedding these values in our actions we strengthen the ability to deliver long-term shareholder value and competitive advantage.

These values are fundamental in creating an environment of trust where all can thrive and in doing so securing the future of our business by creating long-term, sustainable relationships. All stakeholders should believe in and uphold our core values: **Respect, Integrity, Excellence** and **Innovation.**

Read more about **Corporate Responsibility** on pages **24** to **31**

OUR BOARD OF DIRECTORS AND SENIOR MANAGEMENT

In October we welcomed Joanne Lake, Peter Mawson and Gerald Jennings as new Non-executive Directors to the Board. They bring extensive corporate finance, planning, strategic land and commercial development experience to the Company and are, therefore, ideally suited to support our Group Executive team. We are in no doubt that they will make a strong contribution to the delivery of our strategic goals into the future.

In December John Brown and Michael Gunston retired from their positions of Chairman and Senior Independent Non-executive Director respectively. We would like to thank them both for their wise counsel and dedicated service over the last nine years and wish them well for the future.

Jamie Boot also relinquished his role as Group Managing Director in December and was appointed Chairman to succeed John Brown. At the same time John Sutcliffe was appointed Chief Executive Officer and Darren Littlewood as Group Finance Director.

Also in December we saw the retirement of Keran Power as Managing Director of Hallam Land Management Limited. Keran had been Managing Director for six years and previously a Director of the business for 12 years. We thank him for all his endeavours and wish him well in his retirement. He has been succeeded by Nick Duckworth who has worked for Hallam for over 23 years, 14 of which have been as a Director.

Read more about our **Board of Directors** and **Senior Management** on pages **50** and **51**

Pictured (from left to right): Russell Deards, John Brown, Peter Mawson, James Sykes, John Sutcliffe, Michael Gunston, Gerald Jennings, Joanne Lake, Jamie Boot, Simon Carr, Trevor Walker, Darren Littlewood, David Anderson, Giles Boot, Darren Stubbs.

Inset: Keran Power and Nick Duckworth.

Strong agile leadership team . . . now and for the future

Henry Boot

"As we progress and evolve our key objective remains consistent . . . to maximise shareholder value"

John Sutcliffe
Chief Executive Officer

Q How do you see the business progressing and developing over the next five years?

A Our business segments are all operating in relatively stable markets. Pricing and activity are at reasonably good levels and I see little evidence of the excessive pricing or leverage that typified the end of the last property cycle.

Therefore, with land and commercial development portfolios that are larger and more advanced than at any stage in my ten-year experience at Henry Boot, the marketing, sale and completion of those opportunities is our key focus, whilst economic conditions remain supportive.

Over the last five years our teams have created a very valuable portfolio of schemes. We aim to realise this potential for shareholders over the next five years.

Read more information on **Risk** on pages **42** to **47**

STRATEGIC REPORT

The Directors present the Group Strategic Report for the year ended 31 December 2015.

This report sets out how Henry Boot continues to create consistent value through the promotion of new land opportunities, the development of and investment in high quality property assets and construction activities.

The Strategic Report on pages 6 to 47 has been approved by the Board and signed on its behalf by

John Sutcliffe
Chief Executive Officer

Darren Littlewood
Group Finance Director

22 April 2016

Contents

Our Strategy

We define our key objective as follows: to maximise long-term shareholder value through the promotion of land development, the development of and investment in high quality property assets and construction activities.

The Group Structure

Land Development	Property Investment and Development	Construction
Hallam Land Management Limited	Henry Boot Developments Limited	Henry Boot Construction Limited
	Stonebridge Projects Limited	Banner Plant Limited
		Road Link (A69) Limited

Benefits of our structure

The Group is structured so all three business segments contribute financially in different ways to meet our key objective and business initiatives.

Our construction and property investment elements produce relatively stable profits and cash flows every year. This income allows Henry Boot PLC to maintain long-term bank funding relationships which provides capital for us to invest in our strategic land and property development portfolios. This in turn produces cyclical, longer-term profits and potentially strong, though cyclical, cash flows.

So in essence construction and property investment income and investment properties allow us to borrow money from banks, at more attractive rates than would otherwise be available, which we then invest prudently in strategic land and property development. These activities are riskier and give us varying amounts of profit through each economic cycle.

These profits, in good years, contribute significantly to the stable profits from construction and property investment, allowing reinvestment into the business and the payment of rising dividends to shareholders. Each part of the Group supports the other, giving us an overall business efficiency from each segment of the business. This can be seen from our business model on page 10.

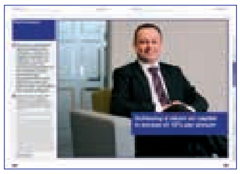
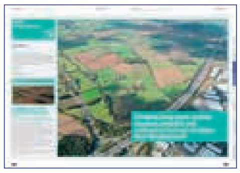
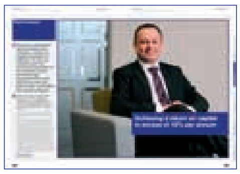
Delivering our key objective

This key objective is central to all decisions to allocate capital to the projects we undertake. Further considerations which help achieve the key objective are dividends to our equity shareholders, funding our defined benefit pension scheme, investing in existing and new opportunities in our asset portfolio and managing the utilisation of our bank facilities and debt levels.

A consideration that goes to the heart of our strategic discussions is a rather under-utilised concept today – prudently investing for the long term. Henry Boot has been in operation since 1886, has seen many economic cycles come and go but has continued to provide an increased income return to shareholders over many years. 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 main business initiatives noted on page 9. These goals have to be achieved whilst at all times maintaining prudent borrowing levels to ensure that the long-term security of our asset base and our ability to pay dividends is not compromised.

It is through this balance of risk-weighted rewards that we aim to create shareholder value into the long term.

Our Initiatives to Support our Key Objective . . . To Maximise Shareholder Value

Business Initiative	How we'll measure progress	How our model supports this	How we are responding
Provide growing long-term shareholder returns	• Shareholder value • Shareholders' funds	• Long-term financial strength • Resources	 Pages **6** to **47**
Create regular revenue streams through retained property assets, rental income and construction activities	• Revenue • Return on capital employed • Investment property	• Construction • Property investment	 Pages **16** to **23**
Achieve long-term funding relationships with financial partners and maintain prudent levels of gearing at less than 50% of net assets	• Gearing levels • Revenue • Net assets	• Long-term financial strength	 Pages **32** to **37**
Create long-term cyclical revenue potential and realisation through land development and property development	• Long-term revenue • Asset value creation	• Land development • Property development	 Pages **12** to **19**
Provide a long-term commitment to high levels of dividend cover	• Earnings per share • Dividend cover	• Long-term financial strength • Resources	 Pages **6** to **47**
Achieve a return on capital in excess of 10%	• Profit • Net assets • Return on capital employed	• Construction • Property investment • Property development • Land development	 Pages **32** to **37**
Recruit and retain the highest calibre of people to meet our key objective	• Long-term success of businesses • Individual performance targets met	• Talented people • Successful and motivated	 Pages **24** to **28**

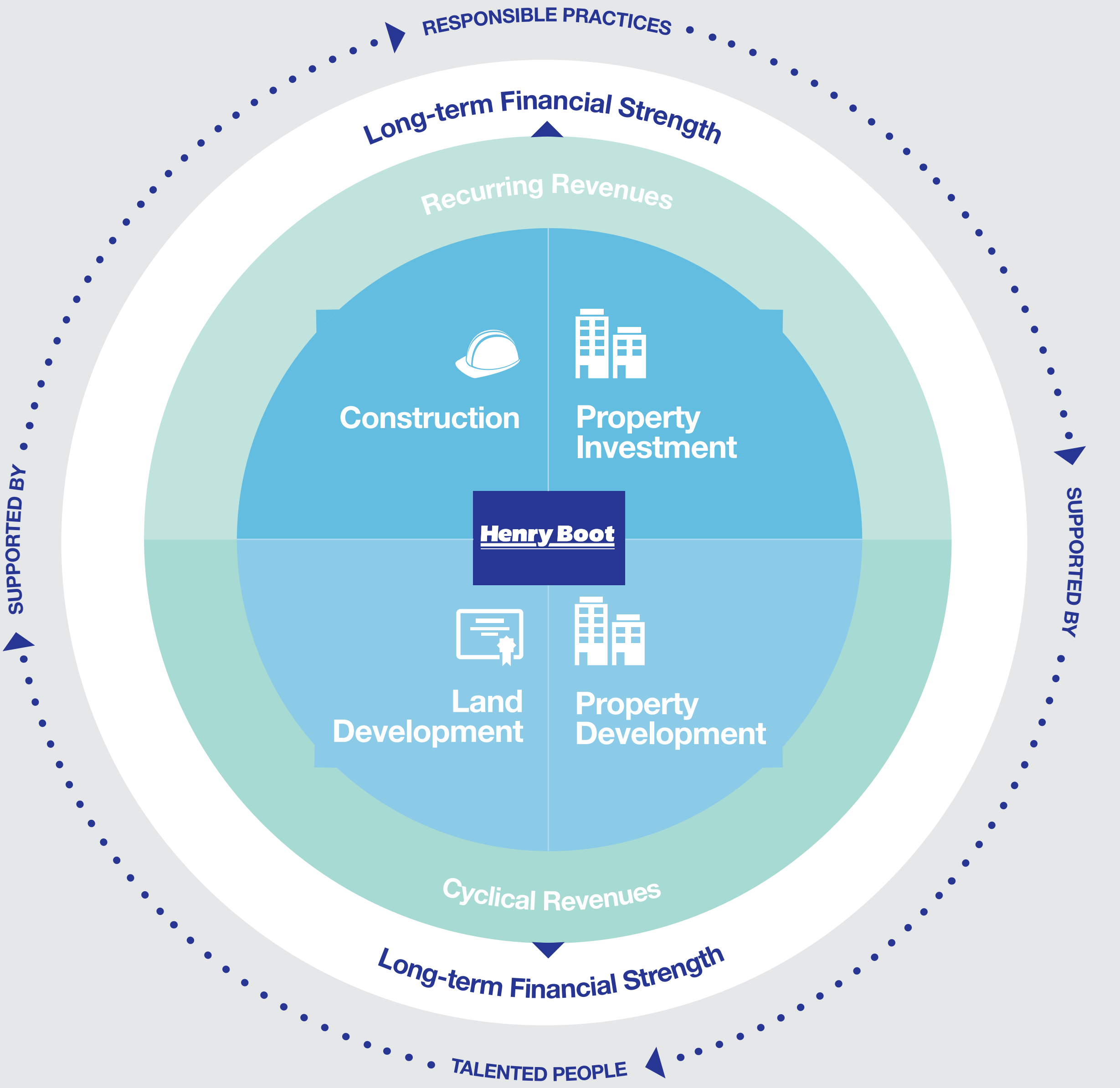
Overview
Strategic Report
Governance
Financial Statements
Shareholder Information

Supported by the Diversity of our Business Model

The creation of value and achieving our key objective of maximising long-term shareholder value is underpinned by our business model.

Our property investments and construction activities generate recurring revenue streams which allow us to maintain and benefit from 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.

Our model is supported by our talented people, who through their enthusiasm continue to drive business success, retaining the values that have been fundamental to the longevity of our business. Being responsible in our work ensures we treat all our stakeholders with integrity and respect.



Long-term Financial Strength

We have long-established relationships with our key funding partners, Barclays Bank PLC, The Royal Bank of Scotland plc and Santander UK plc. We maintain headroom within our three-year banking facilities, renewed from February 2015, 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 healthy return on capital employed and dividend cover for reinvestment in our core activities which, in turn, creates improving longer-term shareholder returns.

Talented People

The Group's employees are at the heart of all that we achieve. Our people are highly talented, successful and motivated individuals and are essential to the success of the Group. We are committed to ensuring that we have the right people working for us and we manage this process through a robust people strategy.

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.

Responsible Practices

Continuous improvement lies at the heart of our business and our corporate responsibility programme supports our business approach to acting responsibly whilst we continue to grow and evolve our business operations.

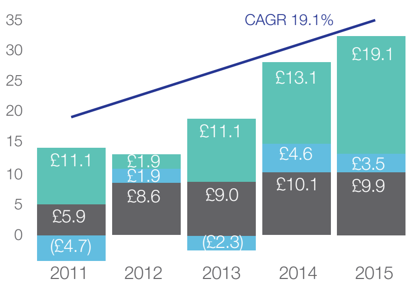
Core to our continuing progress are four key aims:

1. To ensure that all our employees have a safe and healthy work environment.
2. To support our people in realising their full potential.
3. To support the development of the local communities in which we operate.
4. To take responsibility and reduce our impact on the environment.

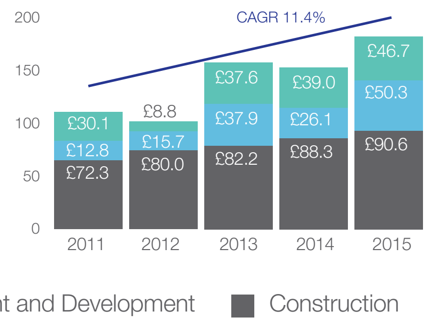
Our revenues have remained consistently strong and allowed us to weather the cyclical economic landscape, through the diversification of our activities.

This is how our individual business segments have contributed to the Group over the last five years.

Profit before tax (£m)



Group revenue (£m)



Delivering long-term shareholder value

Prudent Gearing

Strong Governance

Consistent Dividend Policy

Land Development

Hallam Land Management

Hallam Land Management

The company 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.

Key Sectors:

- Housing
- Sustainable communities
- Business parks

CASE STUDY

LUBBESTHORPE, LEICESTERSHIRE

Hallam is in partnership with two other developers on this 970 acre site.

A minded to grant resolution was secured for 4,250 homes, our share being 1,593 properties, in 2013. The scheme also consists of a 50 acre business park, a district centre, two local centres, a secondary school and two primary schools. In late 2013 we negotiated a highly complex Section 106 agreement which has recently been signed, confirming our largest single permission.

Preparatory infrastructure works are now under way on the M1 near Leicester Forest East to install the new M1 Bridge which will create one access point to the site. Works have also commenced for the southern access point to the development.

The new bridge is expected to open by late 2016 and the housing development will commence thereafter.

Creating long-term cyclical revenue potential and realisation through strategic land development

Strategic Report

Land Development Review

"We will continue to invest in our land portfolio, having careful regard to ensuring our investments are focussed where house builders wish to build."

Keren Power and Nick Duckworth
Hallam Land Management Limited

Highlights of the year

- Disposals of 1,763 plots in 2015 (1,107 plots in 2014)
- 12,000 units with planning permission
- Nine site disposals during the year and 15 new sites added to the portfolio

Progress in 2015

2015 started with a period of pre-election uncertainty but, once concluded, our house builder customers once again made land purchases enabling us to deliver a pre-tax profit from our strategic land business of £19.1m (2014: £13.1m). As the year progressed, we found house builders becoming more selective as they replenished their land banks towards the required level. However, high quality consented sites in good locations continue to be highly sought after and to command good price levels.

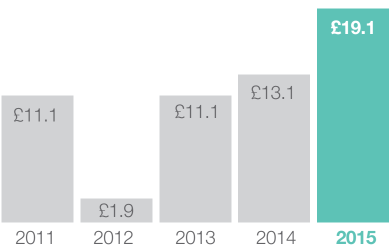
During the year we sold sites at Cranbrook (Exeter), Nuneaton, Chellaston (Derby), Haddington, Biddenham (Bedford), Frome, Repton, Pontefract and Edinburgh. In total, our interests in 1,763 plots were sold, a 59% increase on 2014's 1,107 plots.

The new Government confirmed its commitment to housebuilding, most notably by enforcing National Planning Policy Framework guidance on a five year land supply. We won a number of appeals during the year, including one at Warton, Fylde, where we secured permission for 360 dwellings in advance of an emerging Neighbourhood Plan. During the course of the year we achieved planning consent (or consent subject to a Section106 legal agreement) on our sites in Aldingbourne, Aslockton, Chesterfield, Coxhoe, Haddington, Langho, Launceston, Lutterworth, Market Harborough, Marston Moretaine, Prestonpans, Woodville, Selby and Handcross. At the end of 2015 we had increased our total land interests to over 11,000 acres, 1,982 acres of which has planning consent for over 12,000 plots, and 1,160 acres is allocated in a plan for residential development.

Profit before tax (£m)

+46%

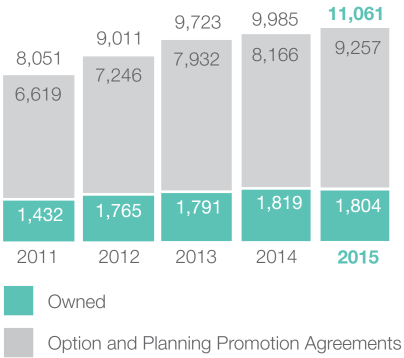
£19.1m



Land (acres)

+11%

11,061



We see the current balanced marketplace continuing through 2016. We will continue to invest in our land portfolio, having careful regard to ensuring our investments are focussed where house builders wish to build, whilst carefully managing our overall investment in the sector. Selectively, the business will seek to secure agreements which benefit our commercial development activity companies, in particular, Stonebridge Projects and Henry Boot Developments.

Cranbrook, the new 3,500 unit community at Exeter; Kingsdown, our urban extension at Bridgwater, and New Lubbesthorpe, a 4,500 unit urban extension west of Leicester, all had a very good year. Cranbrook saw residential occupancies exceed 1,150 (in the two and a half years since residential sales commenced), the opening of a railway station (on the London Waterloo line) and both a secondary school and a second primary school were completed and opened. Development at Kingsdown, Bridgwater, continued with further residential sales anticipated in 2016. Henry Boot Developments are also close to securing a commercial development on the main A38 road frontage. New Lubbesthorpe, a scheme of 4,500 dwellings (where we have an interest in 1,593) commenced development and our investment in this major urban extension will create returns over the longer term.

We successfully sold part of our long-term investment at Biddenham, Bedford, during the year and we forecast further parts will also be sold in 2016 and 2017.

Significant new investments were made during the year at Grazeley, south of the M4 at Reading, and Coventry. Other key strategic sites within our portfolio progressed well during the year; Market Harborough (450 plots) secured a minded to grant planning consent; the first phase of Kettering East (438 plots) was conditionally exchanged to a national house builder; and Phase 2 of Marston Moretaine (365 plots) was granted planning consent in December 2015, the first phase having been sold successfully in 2013 to Bovis Homes, and we expect to market part of this scheme in 2016.

Outlook for 2016 and beyond

2016 has started well with two site sales already concluded and a number of others progressing well for completion later in the year; 180 plots were sold in Alton, Hampshire, and seven acres of employment land were unconditionally exchanged in Lutterworth.

We expect the house builders to remain selective when purchasing land in 2016 but we have a strong land portfolio with a supportive planning regime, a substantial number of sites available to the market and, at this stage, we anticipate that 2016 will be yet another year of good progress.

CASE STUDY

BARTON SEAGRAVE, KETTERING, NORTHAMPTONSHIRE

Hallam has a solely owned site of 50 acres at Barton Seagrave, Kettering just off the A14 trunk road equidistant between the M1 and A1(M) motorways.

The land forms part of the East Kettering Sustainable Urban Extension area. Outline planning permission was achieved for a total of up to 5,500 dwellings, including 20% affordable housing, on 1 April 2010, varied on 8 January 2015.

Hallam has had an interest in the area since 1997. The outline consent includes up to 875 dwellings on Hallam's land interest. A reserved matters planning approval for 325 dwellings was received in January 2016 and a further planning permission for an additional 22 dwellings was received in February 2016. We are anticipating a sale on this parcel of land later in the year.

Our retained 27 acres of land will be the subject of further land sales within the next five years.

Pictured A 450 dwelling site in Frome, Somerset sold to a national developer.

Property Investment and Development

Henry Boot Developments and Stonebridge Projects

Specialist property development company with an investment portfolio aligned with a residential developer and industrial office space provider for small businesses.

Key Sectors:

- Retail, industrial and commercial development
- Development partnerships
- Residential development

CASE STUDY

THE CHOCOLATE WORKS, YORK

The 27 acre Grade 2 listed former Terry's Chocolate Factory, with its iconic clock tower, was purchased by Henry Boot Developments in 2013 after having been empty for many years due to difficult planning and viability issues.

We immediately sold 13 acres to Barratt Developments PLC with permission for 270 residential properties. In 2015, after extensive planning negotiations, an unconditional development agreement was exchanged with listed building conversion specialist P J Livesey to undertake the conversion of the main 170,000 sq ft multistorey factory building to provide 150 luxury apartments, the first phase of which will be completed before the middle of 2016. The first new purchasers of apartments within this historic property are expected to take up occupancy during 2016.

A sale of the listed HQ office building was also completed in 2015 following receipt of planning permission to convert it to a care home.

Assets giving year on year recurring revenue, with property development creating long-term cyclical revenue

Property Investment and Development Review

"At Markham Vale, our 200 acre business park, we exchanged unconditional contracts with Great Bear Distribution Limited on a 480,000 sq ft distribution centre."

Darren Stubbs, Stonebridge Projects Limited, and **David Anderson**, Henry Boot Developments Limited

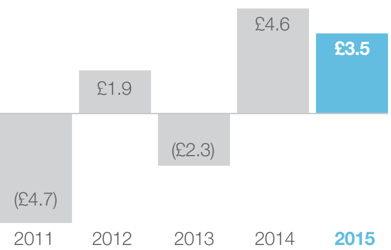
Highlights of the year

- Approval of detailed planning permission at Aberdeen for Exhibition Arena and Conference Centre
- 2015 RICS Winner for Building Conservation at Acre Mill, Huddersfield
- £35m Atkins Limited HQ office development in Epsom, Surrey

Profit/(loss) before tax (£m)

-24%

£3.5m



Progress in 2015

2015 saw the continued recovery in property values and consolidated occupier demand, with activity and values in most sectors nearing pre-recession levels. The strongest occupier and investor demand was seen for industrial warehousing, offices and leisure property. This was reflected in the Company's focus on these sectors for both existing development projects and new opportunities.

In Aberdeen, the Company's largest individual project, the £300m development of an exhibition arena and conference centre and hotel complex pre-let to Aberdeen City Council, has made good progress with the exchange of development agreements and approval of the detailed planning permission at the end of 2015. Negotiations are progressing well with funders and our construction partner and we remain on target for the development to commence in mid-2016.

A number of new office and industrial development schemes were contracted in the year. In Luton, we exchanged a ten year development agreement with local landowners to complete the 50 acre Butterfields Business Park. In Southend, we exchanged development agreements with Southend Borough Council to develop a 50 acre office and employment park adjacent to Southend Airport and negotiations are already underway with a number of potential occupiers.

At Markham Vale, our 200 acre business park, we completed and sold 190,000 sq ft of pre-let industrial space and also exchanged unconditional contracts with Great Bear Distribution Limited on a 480,000 sq ft distribution centre, which was also forward sold in the year. Elsewhere, we undertook two speculative industrial developments, a 44,000 sq ft high spec small unit scheme in Salford, Manchester, and a 130,000 sq ft industrial development at Thorne, Doncaster. Since these were completed, agreements for sale have been concluded on both for over 70% of the space.

The 22,000 sq ft office development in Whitehaven, Cumbria, pre-let to Atkins Limited, was completed and sold at mid-year. We also completed the sale of a 20,000 sq ft office building in Nottingham at above valuation, to an owner occupier. Following the successful delivery of the Cumbria office development, we have now exchanged unconditional pre-let agreements with Atkins Limited for a much larger 110,000 sq ft headquarters office development in Epsom, Surrey, and work is expected to commence on site in mid-2016.

Within the leisure sector we completed two budget hotel developments in Malvern and Richmond upon Thames, for Premier Inn and Travelodge respectively. The Travelodge development was forward sold with the sale concluding at the end of 2015. The Malvern development has been retained in our investment portfolio.

In contrast, the retail sector was more subdued with little demand for new retail space, particularly from the large foodstore operators, giving rise to property revaluation losses on a number of sites. We found that it took longer than expected to contract with retailers on two retail warehouse developments in Belper, Derbyshire, and Livingston, Scotland, even after agreement of terms. However, contracts were finally exchanged on both, and planning consents quickly secured thereafter. These developments are expected to commence before the middle of 2016 and the forward sale of one has already been exchanged.

We have secured detailed planning permission for the residential conversion of listed buildings at the former Terry's chocolate factory in York, where we have entered into a development agreement with our specialist delivery partner, P J Livesey. 150 luxury apartments are now in progress, with the first units expected to be completed mid-2016. We have also sold the listed former headquarters office building to a specialist care home operator following the grant of planning permission for its conversion.

The Company retains a commercial property portfolio of £125m and places great emphasis on the proactive management of these assets to maximise value and income. Initiatives undertaken in the year include: the extensive refurbishment of the town centre retail scheme in Beeston, Nottingham, enabling a number of new lettings to national retailers; and the pre-letting of a 56 bed Travelodge development within our retail and office investment in Bromley, Kent.

Stonebridge Projects Limited, our jointly-owned housebuilding company, increased activity in the year and has commenced some larger developments. It has continued to strengthen its position as a high quality regional house builder and secured options to purchase a further 300 plots for development. The development of 101 units in Headingley, North Leeds, commenced on site in August 2015 after a number of planning delays. Work is also due to commence at Fox Valley, Stocksbridge, for 118 units in 2016, with both sites expected to be major contributors to output over the next two years. Stonebridge serviced offices completed the purchase and redevelopment of Bartle House in Manchester. Our three office centres are steadily growing their occupancy levels and we were delighted that Park House, Leeds, won UK Business Centre of the Year in 2015.

Outlook for 2016 and beyond

We move into 2016 with our largest ever pipeline of pre-funded and pre-sold schemes, having over £500m of gross development value to deliver over the next four years with over 90% pre-funded or pre-sold and a similar proportion pre-let. By de-risking our positions in these development schemes, we feel confident in our ability to manage the impacts on activity such as the EU vote in 2016 and the top of the property cycle, when that arises at some time in the future.

CASE STUDY

STONEBRIDGE PROJECTS LIMITED – VICTORIA GARDENS, HEADINGLEY, LEEDS

The summer of 2015 saw the commencement of Victoria Gardens in Leeds, to date the most high-profile development for Stonebridge Projects Limited.

On the site of the former Leeds Girls High School, Stonebridge secured initially outline planning permission for 82 units; however, after 18 months of negotiation, we managed to secure planning for a further 19 plots therefore a total of 101 units.

Victoria Gardens will be built over three phases during the next three years. Phase one launched in July 2015 with an initial release of 20 four-bedroom townhouses. Groundworks for the site have been subcontracted to our sister company Henry Boot Construction. Phase two will commence in 2016, where a mix of one and two-bedroom apartments, four-bedroom townhouses and two gate houses will be developed. The third phase in 2017 will provide the conversion of the two original school buildings to 45 apartments.

The first occupations are due to take place in late April/early May 2016.

Pictured Illustrative view from the stage at the Aberdeen Exhibition and Conference Centre.

Construction

Henry Boot Construction, Banner Plant and Road Link (A69)

Three companies providing a blend of differing services in the construction industry.

Key Sectors:

- Construction – private sector
- Construction – public sector
- Civil engineering
- Plant hire
- Road maintenance

CASE STUDY

SAINT HELENA'S SCHOOL, CHESTERFIELD

Henry Boot Construction has commenced on site at St Helena's School in Chesterfield to refurbish a Grade 2 listed building dating back to 1892 for the University of Derby.

The works include the complete renovation of the existing building together with a new feature entrance and external soft and hard landscaping.

The purpose of this project is to create a primary site for delivering a step change in higher-level vocational skills (including apprenticeships) to support the economic growth and resilience of businesses and workforce in Chesterfield and North East Derbyshire, achieved by providing new, local routes to vocational higher-level skills.

The 48 week project will be completed in September 2016.

Pictured The new helipad we built for Northern General Hospital in Sheffield, opening in Spring this year.

Creating regular revenue to enable long-term funding relationships with financial partners

Construction Review

"The major contract to redevelop Stocksbridge town centre is now moving into the final phase and is due for completion later in 2016."

Giles Boot, Banner Plant Limited, **Simon Carr**, Henry Boot Construction Limited and **Trevor Walker**, Road Link (A69) Limited

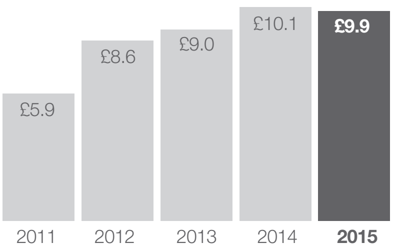
Highlights of the year

- Exceeded both profit and turnover targets in 2015
- Streets Ahead in Sheffield and Henry Boot Construction celebrate 100 joint projects
- 15% increase in profit before tax for plant hire company

Profit before tax (£m)

-2%

£9.9m



Progress in 2015

Henry Boot Construction started 2015 with a healthy order book and continued to build on this, exceeding both budgeted turnover and profit for the year. We have seen a growing confidence in the general economy which has led to increased opportunities in the construction sector, sustained growth in activity and some positive trends in tender prices; although we still remain cautious regarding labour and supply chain price pressures. Our wide ranging capabilities, depth of experience and understanding of our clients' requirements have helped the division produce an excellent result. It is also pleasing that many of our existing clients are returning to us with follow on projects due to the high level of service, delivery and client satisfaction achieved. We are carrying a strong order book into 2016 and expect that our solid trading performance will continue.

Our reputation for delivering high quality projects, safely, on time and within budget, has enabled us to maintain workload in the housing, commercial, retail, health, education, leisure, industrial, civil engineering and custodial sectors. Long-term framework and partnership arrangements; with St Leger Homes, North Lincolnshire Homes, and ASRA Housing together with individual schemes through EN Procure, YORbuild and for Chesterfield Borough Council, continue to give us a strong presence in the social housing sector.

Within the education sector we were awarded the refurbishment and fit-out of the Management School for the University of Sheffield and a refurbishment of the Grade II listed St Helena's campus for the University of Derby. We completed the Materials and Engineering Research Institute for Sheffield Hallam University earlier in the year and Chesterfield College's new Construction Centre was opened for students in September 2015.

We have completed a number of court and prison refurbishment schemes through the Ministry of Justice framework during the year and are currently progressing two further schemes. In the health and social care sectors we were awarded the Yeadon Extra Care Housing scheme by Leeds City Council and the helipad and associated medical facilities by Sheffield Teaching Hospitals NHS Trust. We also commenced the construction of a residential block containing 20 self-contained flats and communal space for Sheffield homeless charity St Wilfrid's, and completed a refurbishment scheme for Autism Plus at Park House Farm on the Ampleforth Estate in North Yorkshire.

We have seen an increase in private sector opportunities, particularly in the industrial, commercial and retail sectors.

Pictured Right Works continue at Fox Valley, Stocksbridge town centre redevelopment. Completion is due in late 2016.

The major contract to redevelop Stocksbridge town centre is now moving into the final phase and is due for completion later in 2016. We also successfully completed a multi-unit eco-office scheme at Doncaster International Business Park for Workpods Limited. We delivered further industrial facilities with new and refurbished units at Thorne, Doncaster; a 100,000 sq ft unit for Inspirepac at Markham Vale; a visitor's centre for Games Workshop in Nottingham; and a research facility for Bifrangi in Lincoln. Our presence in the sports and leisure sector has also been strengthened with our appointment to deliver a new spa facility at Rudding Park Hotel, Harrogate, which commenced in January 2016.

Civil engineering work continues to grow steadily as a major supply chain partner on the 25 year, Amey PFI Sheffield Highways scheme, where we deliver a significant number of projects and notably, completed our 100th project in October 2015. We also completed the Don Valley remediation scheme for Sheffield City Council and have recently commenced a car parking scheme in Barnsley; both projects being delivered through the YORcivils framework. We have also worked with Stonebridge Projects Limited to deliver infrastructure works to new residential housing developments in Leeds and Sheffield.

Plant Hire

Banner Plant once again performed well in 2015. Activity was around 8% ahead of 2014, contributing to a rise in profit before tax to £1.5m (2014: £1.3m) from the unit. During the year we invested £4.3m in new equipment having introduced a range of access equipment to the Derby depot and power tools to the Wakefield depot. We expect capex for 2016 to be at a similar level. As previously reported, our major challenge continues to be the hire rate recovery of the much higher capital costs of new plant, associated with clean air compliance. Early indications are that 2016's utilisation levels are in line with 2015 and we remain cautiously optimistic for the year as a whole.

Road Link A69

Our PFI contract to run the A69 trunk road between Newcastle and Carlisle once again performed well, in line with expectations.

There are now ten years left to run on the contract and traffic volumes and therefore revenues were broadly in line with previous years. Whilst the A69 was affected by the serious flooding around Carlisle in late 2015 there was no long-term impact, and the trunk road was soon operating normally again.

Outlook for 2016 and beyond

The three businesses making up our Construction segment have provided very stable returns over many years and we do not expect that to change over 2016 and beyond. Construction and plant hire are developing a stronger presence within their chosen markets and 2016 has started well with good levels of work already secured for 2016 and 2017. Against this backdrop, we expect another year of solid progress.

PLANT HIRE

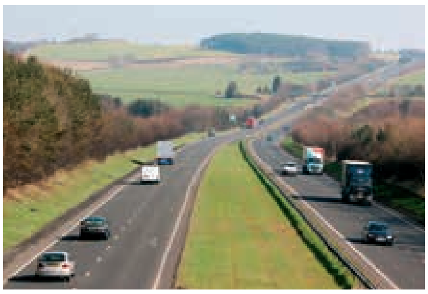
BANNER PLANT LIMITED

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

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.

ROAD MAINTENANCE

ROAD LINK (A69) LIMITED



Road operation and maintenance – 52 miles of trunk road from Carlisle to Newcastle

A 30-year contract with Highways England 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.

Responsible Practices

Our reputation gives our customers, employees, stakeholders, suppliers, investors and the communities in which we operate the confidence and trust to do business with us.

Q What does Corporate Responsibility mean to Henry Boot?

A Corporate responsibility (CR) means addressing the key social, ethical and environmental impacts on our operations in a way that aims to bring value to all our stakeholders, including our shareholders.

The measures we employ to manage our operations ensure everything we do is aligned to our Values to develop our businesses effectively, successfully and responsibly.

Our CR programme and our Values coalesce to provide a strategic framework to develop a sustainable and responsible business by acting ethically; developing positive relationships with suppliers; taking care of our employees; taking responsibility for our impact on the environment; delivering support to our local communities; and delivering value to our customers, shareholders and other stakeholders.

We continue to face a number of challenges in all our business operations; we must continue to act fairly and responsibly as it is not only the right thing to do but it also makes good business sense.

We are working within increasingly complex regulations that impact on our businesses, our customers, the suppliers we trade with, the environment and the communities in which we operate. However, we believe we are making positive progress by trading responsibly and being a great employer.

Rachel White
Head of HR

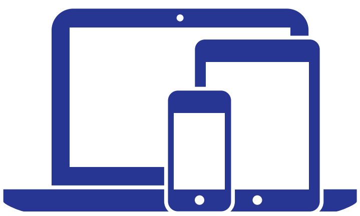
Recruiting and retaining the highest calibre of people to meet our key objective

Corporate Responsibility
People

As our businesses continue to develop, we understand that by retaining and inspiring effective and committed employees we can continue to deliver excellence to all.

Visit us online

For more information please visit our website at **www.henryboot.co.uk**



Our approach

To encourage continued improvement and success across all of our businesses, it is important we are able to create an environment that enables us to attract and retain the right people to work at every level who are committed to working together and who support our business approach of respect, excellence, innovation and integrity.

Working at Henry Boot means working in an inspiring environment where our people are a valuable asset; we are committed to providing a working environment in which our employees can achieve their full potential and have opportunities for both professional and personal development.

We have established policies for recruitment, training and the development of our employees; we remain committed to investing the time and resource to support, engage and motivate our employees to feel valued, to achieve rewarding careers and to want to stay with us, and we recruit and promote from within wherever possible.

As our businesses continue to grow, we understand that by retaining and inspiring effective and committed employees we can continue to deliver excellence to all.

Human rights

Henry Boot PLC is committed to upholding all basic human rights, as outlined in the United Nations' Guiding Principles of Business and Human Rights. Respecting human rights is vital to us as an employer; whilst we do not have a specific policy, we have other policies in place which cover key areas of governance around bribery and corruption, equal pay and ethics. We also operate an externally managed whistleblowing line for employees and stakeholders to report concerns.

Modern slavery

The aim of the Modern Slavery Act 2015 is in line with our own Values and we applaud any measures which seek to bring greater transparency and scrutiny into our various supply chains in order to combat slavery and trafficking activities. For more information please view **www.henryboot.co.uk/corporate-responsibility/modern-slavery**

Equal opportunities and diversity

Henry Boot PLC is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having regard to their particular abilities. Henry Boot has continued the employment wherever possible of any person who becomes disabled during their employment with us, and opportunities for training, career development and promotion do not operate to the detriment of disabled employees. The following tables show the number of employees and the gender mix of Henry Boot PLC employees at December 2015:

Diversity

	Male	Female
All Employees	328	106
Directors	19	2
Senior Managers	27	5

Our pension arrangements

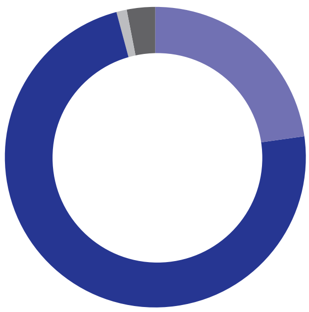
In 2015, we rationalised the number of pension providers and closed the stakeholder pension plan with The People's Pension (formerly B&CE); all current members of this scheme were transferred to the Henry Boot PLC Group Stakeholder Pension Plan (managed by AVIVA).

Employees are members of either The Henry Boot Staff Pension & Life Assurance Scheme (defined benefit scheme closed to new members in 2004 and subject to a salary cap from 2012) or the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution scheme).

Employees who are members of The Henry Boot Staff Pension & Life Assurance Scheme have the opportunity to join the Henry Boot PLC Group Stakeholder Pension Plan, investing their residual salary i.e. the difference between their actual salary and their capped pensionable salary in The Henry Boot Staff Pension & Life Assurance Scheme.

Henry Boot PLC has implemented the UK's auto-enrolment pension requirements for all wholly owned subsidiary businesses; this is provided by AVIVA. Employees are informed of auto-enrolment and other pension choices through letters and online via the Group Intranet.

As at 31 December 2015 the active membership of the pension arrangements stood at (employees):



The Henry Boot Staff Pension & Life Assurance Scheme	99
Henry Boot PLC Group Stakeholder Pension Plan	315*
Road Link (A69) Limited Pension Scheme	5
Stonebridge Projects Limited Pension Scheme	13

*45 employees within this total have invested their residual salary from the defined benefit scheme into the defined contribution plan

Our performance

As part of our push for excellence amongst our employees, we have robust recruitment procedures in place; during 2015 we noted a distinct upturn in the level of recruitment to new positions across all our businesses, and are cautiously optimistic about the future. Our staff turnover remains relatively low at 17%, split into 11% (voluntary leavers) and 6% (involuntary leavers).

We offer a wide range of training and learning opportunities for our employees across our businesses; we believe that offering the right development opportunities will help to ensure our employees feel supported and equipped to carry out their role to the best of their ability. Our employees are able to access a range of development tools and job-specific training appropriate to their needs; our Learning & Development Advisor ensures that relevant and appropriate training is provided as job-specific training covering the technical and operational skills; individual learning to support an employee's personal needs; and mandatory training in health and safety, first aid and manual handling to ensure the welfare of our employees is maintained.

In 2015 we delivered 1,203 (2014: 1,164) training days. We are committed to life-long learning and acknowledge that there is a wealth of ad-hoc learning and development which takes place on a daily basis on our sites, in our offices and depots. We have also produced a suite of e-learning modules to deliver training in the workplace; this allows our employees to refresh specific technical skills from their desks.

In 2015 we recruited 12 trainees and apprentices across our businesses; all trainees and apprentices are enrolled on formal courses of education and have development plans in place to gain operational and technical knowledge from mentors. The purpose of the programme is to provide the opportunity to gain experience of the role whilst working alongside an experienced mentor to understand the role and the business. This programme ensures that we have a pipeline of talent within our businesses for the future.

Pictured Above Left First attendees of our Leadership Development Programme at the University of Bradford Management School.

Strategic Report

Corporate Responsibility
People

Trainees and Apprentices

Inspiring and investing in the next generation ensures we balance short-term objectives with our long-term strategic commitments; our future will be in their hands.

In 2015 we launched our Leadership Programme which we developed with the support of the University of Bradford. The specific focus of the Programme was on the continued success of the businesses by working in a more cohesive and collaborative way, with a specific focus on the development of inter-subsidiary relationships and alignment of the business needs for future growth. At the end of 2015 40 employees, the majority of whom are Directors/Senior Managers, had participated in the Programme. In 2016 we will be cascading this programme to managers/supervisors to ensure a consistent message across all businesses.

We welcomed Megan Collins back to our Group Finance team. Megan worked for the Group on placement in 2013/2014 from Sheffield Hallam University where she studied BA (Hons) Accounting & Financial Management; Megan is now employed as a Trainee Accountant and is studying for her CIMA professional qualification. The Group regularly works with local universities to enhance our engagement in the community and to offer career opportunities locally.

Congratulations to Danielle Kirk-Mitchell of Henry Boot Construction Limited in achieving the Trainee of the Year award at the G4C Awards and the Young Achiever of the Year award at Constructing Excellence in Yorkshire & Humber. Danielle (27) joined the Company in 2007 as an administrative assistant on our Doncaster Decent Homes contract; the Company soon recognised the potential in Danielle and she was offered a Trainee Planner role and enrolled on a course at Leeds College of Building, where she successfully passed her course and was promoted to Assistant Planner and subsequently to Planner. Currently on maternity leave following the birth of her first child, we look forward to Danielle returning to work and continuing to build on her successes.

Pictured Above Investing in the future; A quarterly trainee 'get together' at Dronfield; **Pictured Bottom Left** Danielle Kirk-Mitchell, Trainee of the Year at the G4C Awards; and **Pictured Bottom Right** Megan Collins receiving her degree in Accounting & Financial Management.

Corporate Responsibility
Health and Safety

Our approach

Henry Boot PLC continues to focus on health and safety as our primary business priority; we remain committed to providing a safe and healthy working environment for our employees, stakeholders and contractors. We operate all our business activities on the principle that good management of health and safety is fundamental in creating a safe and healthy environment, and contributes to improving our business performance. We expect our managers to manage all aspects of our business in a safe manner, and employ practical measures to ensure our business activities do not harm or pose unacceptable risks.

We have developed practical and safe systems of work which is borne out by the Company's exemplary safety statistics; continuous improvement is a key driver and we cannot stand still on this vital area of risk management. All employees receive health and safety training relevant for the job role they perform; by developing communications and knowledge in this key area we are enabling our employees to improve the way we recognise hazards and reduce risk.

Our performance

We continue to benchmark our health and safety performance against Constructing Excellence Health and Safety Key Performance Indicators. In 2015 we have seen a reduction in our accident frequency rate (AFR) to 0.08 per 100,000 hours worked including our subcontractors (2014: 0.12); we are delighted to report that for another year our AFR for our directly employed employees is again zero.

As a further check to ensure the company processes and procedures are robust and to test our procedures to the limit, 'Mock Emergency Incidents' are staged to test the robustness of the current management systems in an emergency situation, together with legal advice, facilitated by law firm Nabarro LLP. The outcome of these has been positive, demonstrating good awareness and robustness of Company procedures. The most recent exercise was carried out in September 2015 at Fox Valley, Stocksbridge, our town centre redevelopment project. A full 'debrief' was held with employees involved to communicate and discuss the outcome and learning points from the mock incident.

We continue to receive recognition for our efforts in managing health and safety, and were again recipients of the RoSPA Gold Medal, and the CIOB Celebrating Construction in South Yorkshire Health & Safety Award.

During 2015 we pledged our commitment to IOSH's No Time to Lose campaign, which aims to increase awareness of significant health issues specifically in relation to carcinogenic exposure and workplace cancers, which account for over 600,000 deaths per year worldwide.

In addition to this, we have developed a wellbeing area on our Group Intranet to focus on health issues on a monthly basis; this will coincide with national campaigns and be supplemented by more generic wellbeing information.

Pictured Below Celebrating at the CIOB Construction Awards 2015 – Winners of the Health and Safety Award for South Yorkshire.

Strategic Report

Corporate Responsibility
Communities

Our approach

With a nationwide presence and a regionalised focus in Yorkshire, we offer support to a wide range of charities and organisations of all sizes, by working to provide them with donations that are of most benefit to them and their particular cause, whether it be a financial donation or our wide and varied expertise.

We do not support a single Charity of the Year as we want to have a broader impact by working with a much wider group of charities and organisations.

Our areas of focus are to:

- charities and organisations local to our business operations;
- charities and organisations that support educational improvements for children/adults; and
- charities and organisations that support social improvement through sport.

Where a request for support falls outside of this criteria, we signpost the applicants (if eligible) to South Yorkshire Community Foundation where the Company has a number of endowment funds which offer grants. Further details are on our website.

Our performance

We are committed to contributing long-lasting social and economic benefits for the communities in which we work.

We continue to support and promote a wide range of charitable giving and community volunteering initiatives by employees, focusing on activities that best reflect the needs of their local community and issues of direct significance for them.

This year, the Group contributed £32,600 to charitable causes, £13,078 of which was through our Give As You Earn payroll giving mechanism.

In 2015 our employees participated in The Master Cutler's Challenge, one of the largest charity fundraising events in our home city of Sheffield. Local businesses are invited to participate and are given the opportunity to transform a £50 investment into as much fundraising as possible for charities nominated by the incumbent Master Cutler; in 2015 the charities were The Brathay Trust and Help for Heroes. Colleagues from across all of our businesses dug deep and transformed our £50 into £10,120 through a wide variety of events including a BBQ, football tournament, a night of greyhound racing, cake sales and other more traditional activities. Our employees enjoyed the various events and it is our intention to participate in the Challenge in 2016 when the beneficiaries will be St Luke's Hospice and Rotherham Hospice.

We continue to support The Prince's Trust as a member of the leadership team in Yorkshire and the Humber; we hope to develop this relationship further and utilise some of the more innovative offerings to supplement our trainee development programme.

In 2015 we became sponsors of Steel City Wanderers, a local women's football team; following on from the success of This Girl Can and the England women's football team, we offered our assistance through financial and technical support. Through this partnership we hope to develop opportunities to encourage women to consider our industry as a viable career option.

Our employees continue to push themselves out of their comfort zones with their own charitable fundraising; in 2015 our employees raised in excess of £10,000 for various charities by climbing mountains and participating in other endurance events.

Our construction business continued its involvement with the Considerate Constructor Scheme, and achieved a Silver award for the ASRA Bilsthorpe site; the average score in 2015 was 37.37.

In December 2015 we were delighted to accept the Yorkshire Business Award for Corporate Responsibility on behalf of Henry Boot PLC, voted for by our peers in the region. It was gratifying to receive an acknowledgment of what we are attempting to achieve with our CR programme; we are not seeking to gain anything from the participation we have within our communities - we are simply doing what is right, using our resources to assist and create impact.

Pictured Top Left Proud sponsors of Steel City Wanderers, working in partnership with the local community; and **Pictured Top Right** Rachel White accepting the Yorkshire Business Award for Corporate Responsibility.

Corporate Responsibility
Environment

Our approach

Our overarching aim is to minimise the impact on the environment of our operations and those of our supply chain by using resources efficiently and reducing our waste and carbon outputs.

We recognise that we have a responsibility and an obligation to reduce the direct impact of all our business operations on the natural environment both now and in the future.

Reducing our emissions is one way in which we hope to achieve this; our aim is to create more sustainable ways of undertaking our business operations to conserve energy, save money and deliver efficiency.

Our performance

Our priorities are to:

- minimise waste produced;
- increase recycling; and
- improve energy efficiency and reduce energy use.

In 2015 Henry Boot Construction Limited in partnership with Banner Plant Limited introduced the use of ECO cabins on site; these new cabins include enhanced insulation, PIR lighting, double glazing, non-concussive taps, waterless urinals and thermostatically controlled heaters.

The new cabins not only ensure the site carbon footprint is minimised but also provide increased comfort to employees and visitors.

Our focus is on the segregation of waste on our sites and we have achieved a recycling rate of 95% (2014: 94%).

We were proud recipients once again of Gold status on the Business in the Community National Environmental Index.

Our greenhouse gas (GHG) emissions for the year ended 31 December 2015 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 2015.

Our direct and indirect operational greenhouse gas emissions are shown in the tables below. 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.

Overall the Group's greenhouse gas emissions have reduced by 12% when compared to those of the previous year. This equates to a decrease of 0.71 tonnes per employee.

For further information on our greenhouse gas emissions please see our website:

www.henryboot.co.uk/corporate-responsibility/our-environment

Henry Boot Group CO_2 footprint by source

Henry Boot Group CO_2e emissions	2015 Tonnes	2014 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities	**2,048**	2,288	↓
Scope 2: Electricity, heat, steam and cooling purchased for own use	**1,122**	1,337	↓
Total direct emissions	**3,170**	3,625	↓
Total direct emissions per employee[1]	**7.3 tonnes CO_2e**	7.90 tonnes CO_2e	↓
Scope 3: Upstream and downstream indirect emissions	**908**	1,017	↓
Total emissions	**4,078**	4,642	↓
Total emissions per employee[1]	**9.4 tonnes CO_2e**	10.11 tonnes CO_2e	↓

[1] Employee numbers are based on the monthly average for the year

Carbon emissions by segment

Henry Boot Group CO_2e emissions	2015 Tonnes of CO_2e	2015 Intensity Ratio Tonnes of CO_2e	2014 Tonnes of CO_2e	2014 Intensity Ratio Tonnes of CO_2e	Intensity Basis	Trend
Property investment and development	**1,021**	**2.11**	1,234	2.58	per 1,000 sq ft of investment property with communal areas	↓
Land development	**114**	**3.44**	123	3.96	per employee	↓
Construction	**2,776**	**34.9**	3,108	37.73	per £1m of turnover	↓
Group overheads	**167**	**3.21**	177	3.41	per employee	↓
Total gross controlled emissions	**4,078**		4,642			

Performance

Q You have a published aim to achieve and maintain a return on capital employed of between 10-13% as a benchmark of a successful business in the property sector. How have you progressed this year and do you see any factors that could affect this ongoing target?

A A strong overall operating profit increase of 13.3%, helped in particular by our strategic land division, has generated a return on capital employed of 12.2% (2014: 11.4%).

This higher return was achieved on a 5.6% higher level of capital employed as we build our business strength.

Our return on capital employed is impacted by our profit margin and the rate at which we generate sales from our assets. We are continually looking at ways to reduce our cost base across all of our businesses and actively look to improve efficiencies through the use of new technologies and working practices. Margins remain highly competitive within the construction segment and the future price of both materials and labour has a large impact here. Within the land segment the speed at which assets can be disposed of is highly dependent upon the planning system and the appetite of the major house builders for new land, whilst the property segment is subject to the market demand for new property, the residential sales arena and the speed with which large and often complex development schemes can be brought to fruition.

Darren Littlewood
Group Finance Director

Achieving a return on capital in excess of 10% per annum

Financial Review

Maintaining stable gearing levels despite significant growth activity

Our consistent strategic approach to the markets in which we operate has again allowed us to achieve a result ahead of management expectations and is testimony to the cohesive way in which all of our operating segments work together to achieve our Group-wide financial objectives.

Highlights of the year

- Profit before tax increased by 14% to £32.4m
- Basic earnings per share increased by 8% to 17.5p
- Dividends per ordinary share for the year increased by 9% to a record 6.10p

Consolidated Statement of Comprehensive Income

Revenue increased 20% to £176.2m (2014: £147.2m) resulting from increased activity within the property development market. Gross profit increased 22% to £53.3m (2014: £43.7m) having benefitted from higher land sale profits on land we owned. Administrative expenses saw an increase of £2.1m resulting from further investment across all operating segments to support the increased activity in 2015 and the forecast levels of activity we envisage. Pension related costs increased £0.5m (2014: decrease £0.4m) as we introduced auto-enrolment and incurred increasing levies imposed by the Pension Protection Fund relating to our defined benefit pension scheme. Property revaluation losses were £2.0m (2014: gain £1.9m) and were derived from positive movements in the market values of certain existing and newly completed investment properties of £7.5m, offset by the recognition of valuation deficits on certain other properties amounting to £9.5m. The deficits arose from a town centre redevelopment site which is now expected to be a much smaller scheme than originally envisaged, an investment property marketed for sale where difficulties with occupiers have led to offers being received significantly below initial expected values and a development property site where we have not yet obtained any significant interest. Overall, operating profits increased 13% to £31.7m (2014: £28.0m) and, after adjusting for net finance costs and our share of profits from joint ventures, we achieved a profit before tax of £32.4m (2014: £28.3m), an increase of 14%.

The segmental result analysis shows that Land Development produced a significantly improved operating profit of £20.0m (2014: £14.1m). Property Investment and Development operating profit decreased to £7.3m (2014: £8.7m) as a result of higher trading profits being offset by the site revaluation deficit noted above. Construction segment operating profits decreased slightly to £8.9m (2014: £9.2m) after improved results within the construction and plant hire businesses were offset by a reduction in toll income from our Road Link PFI investment due to significant falls in crude oil prices affecting the toll revenue inflation factor. These results continue to demonstrate how the benefits of a broad-based operating model work to the benefit of our Group. We recognise that our strategic land and commercial development businesses operate within deal-driven markets which can vary significantly from year to year but these potential fluctuations are mitigated by the relatively stable returns from the Construction segment.

Tax

The tax charge for the year was £7.5m (effective rate of tax: 23%) (2014: £4.8m and effective rate: 17%), increasing largely due to a net investment property revaluation deficit which, as in previous years, is not tax deductible until realised. Current taxation on profit for the year was £5.6m (2014: £4.4m), with the charge for the year benefitting from joint venture profits which are included net of tax and adjustments in respect of earlier years.

The deferred tax charge increased to £1.9m (2014: £0.4m), resulting from a more prudent approach to the recognition of deferred tax assets expected to be obtained from capital allowances and a reduction in the future reversal rate applied to the deferred tax asset brought forward from 20% to 18%. Our unrecognised deferred tax asset has increased to approximately £2.3m (2014: £0.8m).

Earnings per share and dividends

Basic earnings per share was 8% higher at 17.5p (2014: 16.2p). The total dividend payable for the year has been increased by 9% to 6.10p (2014: 5.60p), with the proposed final dividend also increasing by 9% to 3.80p (2014: 3.50p), payable on 31 May 2016 to shareholders on the register as at 29 April 2016. The ex-dividend date is 30 April 2016.

Return on capital employed (ROCE)

Higher pre-tax profitability in the year resulted in improved return on capital employed of 12% in 2015 (2014: 11%). We continue to target a rate of return of between 10% and 13% as we believe over the business cycle, in the longer term, this is the level of return achievable by a cautiously successful business in the property sector.

Finance and gearing

Net finance costs have reduced to £0.2m (2014: £0.8m) as a result of improved returns on our investments. Average borrowing costs were similar to those of the previous year and it is anticipated that interest costs will remain similar in 2016 as increased activity maintains our current annualised borrowing levels. It appears unlikely that any upward change in interest rates will be seen in the short-term, however, should any increase occur, we do not believe it will result in a material adjustment to our borrowing costs. We expect to continue our investment in both our land and development assets at a similar level to 2015 as we recycle capital into future opportunities and 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 (excluding interest received on other loans and receivables), was 23 times (2014: 19 times). No interest incurred in either year has been capitalised into the cost of assets.

We have seen continued investment in our strategic land holdings and in the property development portfolio. This was again achieved by using internally generated cash flows so that total year end net debt only rose marginally to £38.9m (2014: £36.4m). Gearing on net assets of £221.5m remains conservative at 18% (2014: net assets £200.5m; gearing 18%). Total year end net debt includes £8.6m (2014: £7.7m) of funding which is repayable from the future sale of residential units on certain land development sites. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. In February 2015, we agreed a new three year £60m facility with covenants on a similar basis but on more competitive margin terms. The agreed terms also allow for the possible extension of the facilities for a further two more years on the same terms, subject to agreement between the banks and the Company and we have agreed the first one year extension in February 2016. Throughout the year we operated comfortably within the facility covenants and continue to do so.

Pictured Markham Vale, Derbyshire: we exchanged unconditional contracts with Great Bear Distribution Limited on a 480,000 sq ft distribution centre.

Financial Review continued

Statement of cash flows

Property development transactions and land deals do not lend themselves easily to bank funding. We, therefore, look to maintain an investment property portfolio of around £100m against which we can secure bank funding to allow us the flexibility to undertake these transactions without reference to specific funding from banks. Our investment property portfolio assets have again provided the covenant support for the new £60m banking facilities. Forecast bank debt levels at the end of 2016 are anticipated to be similar to those at the end of 2015 as we continue to reinvest cash generated into new opportunities. During 2015, we increased operating cash flows before movements in working capital by £6.5m to £31.4m (2014: £24.9m) and, after a further year of investment in working capital of £26.2m (2014: £10.0m), we achieved cash generated from operations of £5.2m (2014: £14.9m).

Cash inflows from investing activities of £6.9m (2014: outflow £0.3m) resulted from disposals of £23.4m (2014: £16.8m) of investment property and property, plant and equipment sales offset by new investment of £17.2m (2014: £17.4m) in new property development, plant purchases and investment in associates. Dividends paid, including those to non-controlling interests, totalled £9.7m (2014: £8.6m), with dividends paid to equity shareholders increasing by 11%.

Statement of financial position

Investment property and assets classified as held for sale were valued at £125.3m (2014: £141.8m). The fair value of completed investment property including assets held for sale was £103.7m (2014: £99.4m) and the value of investment property under construction within investment property is £21.6m (2014: £42.4m) as we develop these assets into investment properties.

Intangible assets reflect the Group's investment in Road Link (A69) of £5.8m (2014: £6.7m). 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 £6.9m (2014: £6.8m) and plant, equipment and vehicles with a net book value of £14.1m (2014: £12.3m); this increase arose from continued investment in new plant and plant delivery vehicles. Non-current trade and other receivables have increased to £10.5m (2014: £4.8m) resulting from a net increase in long-term payment plans associated with land sales completed during the year. The non-current deferred tax asset decreased as a result of the lower IAS 19 pension deficit. In total, non-current assets reduced to £170.7m (2014: £180.7m).

Within current assets, inventories of £138.9m (2014: £117.5m) increased due to further investment in the land portfolio to £106.8m (2014: £99.6m) and assets in the course of construction increased to £32.1m (2014: £17.9m). Trade and other receivables also increased to £54.4m (2014: £50.1m) as a result of a number of land sales which concluded in December 2015. This also led to an increase in cash and cash equivalents where cash received could not be offset against short-term loan drawdowns at that time. In total, current assets increased to £205.4m (2014: £172.1m).

Current liabilities increased to £116.6m (2014: £107.1m) as the portion of debt classed as current increased to £42.8m (2014: £32.0m). However, if we were to offset the cash current asset, current debt would be £30.8m (2014: £27.6m). Trade and other payables decreased to £64.4m (2014: £68.8m) resulting mainly from lower levels of payments on account relating to construction contracts. Provisions increased to £5.7m (2014: £4.3m) as previously non-current provisions moved into the current period and continue, in the main, to relate to infrastructure planning obligations at Bridgwater and Cranbrook, Exeter.

Net current assets increased to £88.8m (2014: £65.0m). This increase is predominantly due to further investment in land inventories, increased debtors and reduced creditors as we operate at a higher general level of activity throughout the Group. Non-current liabilities reduced to £37.9m (2014: £45.3m) after IAS 19 pension liabilities reduced to £19.6m (2014: £28.2m).

Net assets increased by 10% to £221.5m (2014: £200.5m) as retained profits and the reduction in the pension deficit were offset by dividends paid and treasury share purchases. Net asset value per share increased 10% to 168p (2014: 152p).

Pension scheme

The IAS 19 deficit at 31 December 2015 was £19.6m compared to £28.2m at 31 December 2014.

Despite the very turbulent market conditions which prevailed during the period, the pension scheme's assets performed satisfactorily. The IAS 19 deficit was helped by marginal changes in the discount rate, 2015: 3.8% (2014: 3.6%), and the Company's contributions. As we have noted in previous years, a discount rate of 4.75% would result in a negligible deficit.

The pension scheme's assets continue to be invested globally with high quality asset managers, using a broad range of assets and diversification. The pension scheme trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks; making changes, as the trustees consider appropriate, in conjunction with investment advice from KPMG.

Darren Littlewood
Group Finance Director
22 April 2016

£176.2m

Revenue up by £29m, an increase of 20% over the year of 2014

10%

increase in net asset value to £221.5m (2014: £200.5m), with net asset value per share also increased by 10% to 168p

3.80p

Proposed final dividend, an increase of 9% over 2014 payment

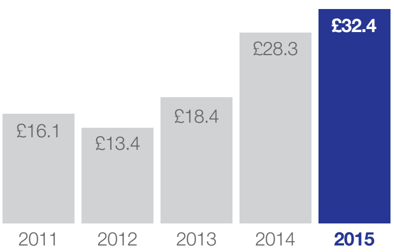
Pictured Left Cranbrook, Exeter saw residential occupancies exceed 1,150 in the 2½ years since sales launch; and **Pictured Right** Environmentally sustainable office units built at Fountain Court, Doncaster for Workpods Limited.

Key Performance Indicators
Financial

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.

Profit before tax (£m)



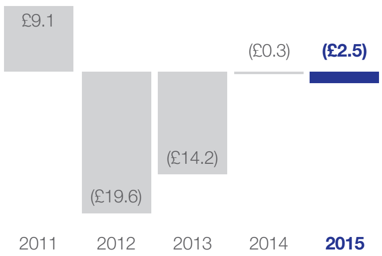
Objective
To increase profit levels over time

Performance
14% increase

Comments
Increased land sales generating higher profits in 2015. 2016 looks positive in terms of all aspects of the business but especially land and property development

On Target ✓

Cash generation (£m)



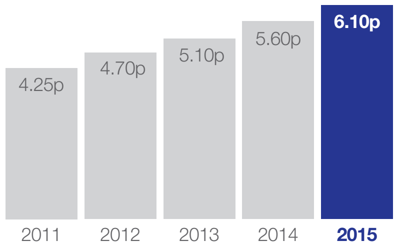
Objective
To monitor cash generated over time

Performance
Cash outflow £2.5m

Comments
We continue to reinvest retained earnings in the portfolio of land and property development assets

On Target ✓

Dividends per ordinary share (p)



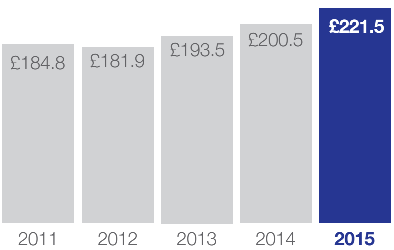
Objective
To generate growing shareholder returns over time

Performance
9% increase

Comments
9% increase to 6.10p as we move dividends to new record level

On Target ✓

Net assets (£m)



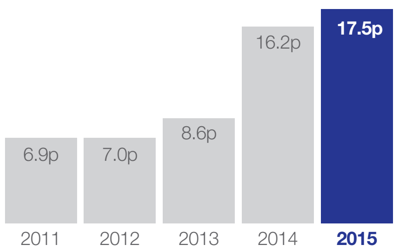
Objective
To grow the asset base over time

Performance
10% increase

Comments
Increased due to higher profits and retained earnings assisted by a decrease in the pension deficit which was affected by the increase in bond yields

On Target ✓

Earnings per ordinary share (p)



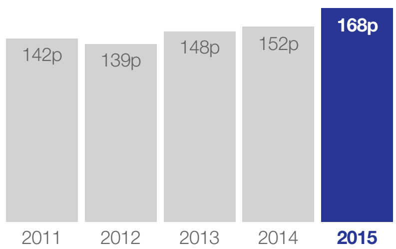
Objective
To increase returns over time

Performance
8% increase

Comments
Increased due to higher retained profits helped by improved returns from land disposals

On Target ✓

NAV per share (p)



Objective
To increase shareholder value over time

Performance
10% increase

Comments
Little change to share capital; therefore, benefits from the increase in retained earnings

On Target ✓

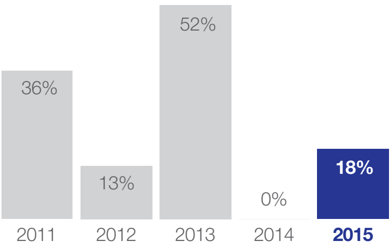
Linking Performance to Reward

Read more in our **Directors' Remuneration Report** on pages **64** to **73**

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.

Shareholder return (%)



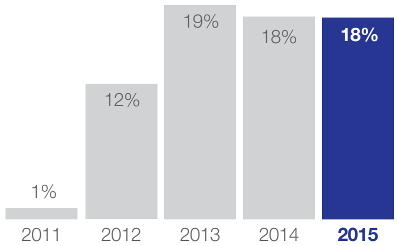
Objective
To generate growing shareholder returns over time

Performance
18 ppt increase in year

Comments
Share price 14.7% over the year which, coupled with the increase in dividends, gave rise to a return over the last 3 years of 77.7%, comfortably above the median of the All Share and Small Cap indices

On Target ✓

Gearing levels (%)



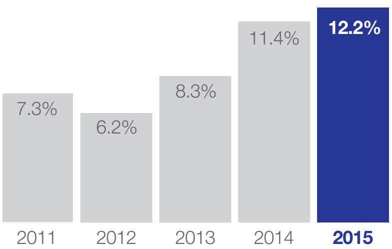
Objective
To monitor levels of cash required over time

Performance
No change during the year

Comments
This still prudent gearing level gives us flexibility to reinvest in land sites and property development. 2016 should see these levels maintained

On Target ✓

Return on capital employed (%)



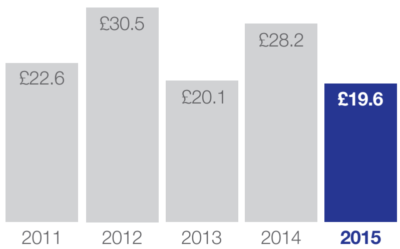
Objective
To increase returns on capital employed over time

Performance
7% increase

Comments
Healthy improvement in returns over the last three years. Continued to generate the kind of returns to meet our aspirations

On Target ✓

Pension scheme deficit (£m)



Objective
To reduce the pension scheme deficit over time

Performance
30% decrease

Comments
Discount rate used by IAS 19 has increased to 3.8% from 3.6%. The pension scheme assets achieved a satisfactory return. A discount rate of 4.75% would result in a negligible deficit

On Target ✓

Land Development

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

Read more on pages **12** to **15**

Property Investment and Development

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

Read more on pages **16** to **19**

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. 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.

Read more on pages **20** to **23**

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.

Read more on pages **32** to **37**

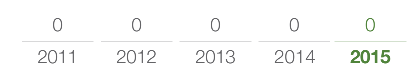
Strategic Report

Key Performance Indicators
Non-Financial

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 – employees)



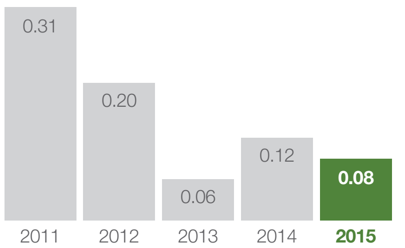
Objective
Our health and safety

Performance
To ensure a reducing number of reportable 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 100,000 hours worked inclusive of subcontractors)

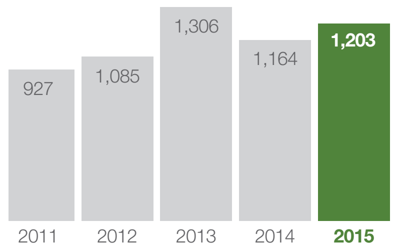


Objective
Our health and safety

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

Comments
Our ongoing education of our sub-contractors and the closer monitoring of their working practices continues.

Personal development (days)

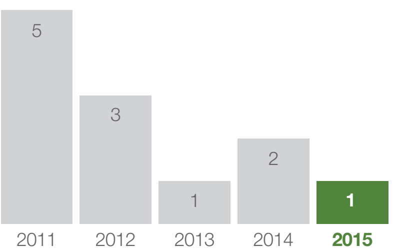


Objective
Our people

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

Comments
A slight increase in development days, reflective of an increase in trainee and apprentice recruitment.

Reportable accidents

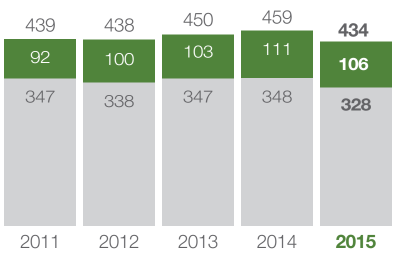


Objective
Our health and safety

Performance
To ensure a reducing number of reportable 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. 2015 saw a decrease in reportable incidents.

Employee profile



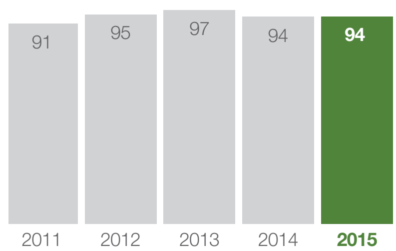
Objective
Our people

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

Comments
We currently have a gender split of 76% male to 24% female. In order to address this we are working closely with external partners to encourage under-represented groups into the industry.

Females Males

BITC Environmental Index (%)

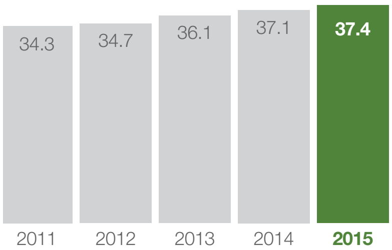


Objective
Our environment

Performance
To be acknowledged by a recognised body as being a leader in environmental management in our region.

Comments
A decrease in our scoring due to realignment of the process means that we are now classed as Gold status; the Company will endeavour to regain Platinum status in the future.

Considerate Constructor Scheme

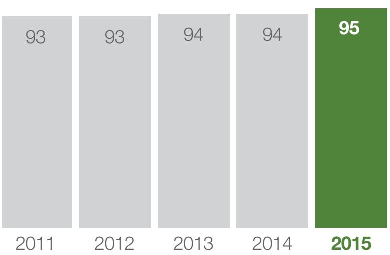


Objective
Our community

Performance
To be classified as a 'good neighbour' when scored against the Considerate Constructor Scheme score of 50.

Comments
Another solid year of performance which saw achievement of several high scores in the five categories across our sites.

Recycling – diverted from landfill (%)



Objective
Our environment

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

Comments
We continue to improve our methods of work to try to reduce this number further.

Our accreditations and awards

Henry Boot PLC is one of the UK's leading and long-standing land development, property investment and development, and construction companies; renowned for quality and a diverse portfolio, we pride ourselves on maximising long-term shareholder value. We have a reputation for providing a quality product, delivered in a safe way, which will continue to provide revenue growth in our chosen markets. Our success can be measured in many ways; and this is apparent by the number of accreditations and awards we continue to receive.

Managing Risk

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 on pages 43 to 46.

TOP DOWN

Group Board
Reporting framework

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

Independent review

Audit Committee
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

Review risk assessment and reporting

Managing Directors
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

Risk assessment

Business units
Day-to-day operations

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

BOTTOM UP

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

Read more about **Our Strategy** on page **8**

Read more about **Our KPIs** on pages **38** to **41**

Read more about **Our Governance** on pages **48** to **79**

Read more about **Our Activities and Resources** on page **11**

Risk and description	Mitigation	Change in risk environment during 2015
Health & Safety		
Inherent risk within construction activity	• Priority consideration of all Group and subsidiary board meetings • Robust training, policies, procedures and monitoring • Internal independent Health & Safety Manager who conducts regular random inspections • Routine Director and Senior Manager safety inspections • Regular externally reviewed mock incidents	↔
Construction		
Increased cost and lower availability of skilled labour, subcontractors and building materials	• Quality training given to grow personnel internally • Pool of approved and checked subcontractors subject to regular review • Group purchasing arrangements and preferred supplier agreements • Forward planning to increase ordering times and availability of materials	↑
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 main Board and each subsidiary company board meeting	↔
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 • Flexible to market trends in development requirements • 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	↓

Key: ↑ Increased ↓ Decreased ↔ No Change

Managing Risk continued

Risk and description	Mitigation	Change in risk environment during 2015
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 11,000 acres with aspiration to grow further. 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 • Large land bank can help smooth short-term fluctuations	↓
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, or economic cycles • 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 do have very good land banks and can be choosy regarding what they buy	↓
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 approximately 150 sites in progress throughout the UK • Sites are typically greenfield and of a high quality	↓
Changes in Government or Government policy 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	↓

Key: ↑ Increased ↓ Decreased ↔ No Change

Risk and description	Mitigation	Change in risk environment during 2015
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.	• 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 a common goal of less aggressive leveraging than some competitors • Current market conditions are supportive	↓
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 • Proven record of sharing profits with staff • Succession planning is an inherent part of management process	↑
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 which were renewed in February 2015 and are backed by investment property assets • Detailed cash requirements are forecast up to 15 months in advance and reviewed and revised monthly • Short-term positive cash balances are placed on deposit • Group funding levels are prudent in relation to the Statement of Financial Position • As a PLC access to equity funding is available should this be required	↓
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 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	↔

Managing Risk continued

Risk and description	Mitigation	Change in risk environment during 2015
Interest Rates		
Significant upward changes in interest rates affect interest costs, yields and asset prices and reduce demand for commercial and residential property	• Statement of Financial Position strength allows the Group to warehouse sites in tough markets • 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	↔
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	↓
Pension		
The Group operates a defined benefit pension scheme which has been closed to new members for 12 years. 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 30% of assets • 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	↓ (Discount rate increased by 20bps)

Key: ↑ Increased ↓ Decreased ↔ No Change

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.

Viability Statement

Introduction

The business model and strategy of Henry Boot PLC can be found on pages 8 to 11. These documents are central to the understanding of the long-term business model.

We have operated the current business model successfully over the past 15 years, and have a 130-year unbroken history. By their nature the Group's activities tend to be very long term, especially in the land development business, and the Group's strategy and experience in this sector has been built up over many years. Over the last ten years the Group has reported an average profit before tax of £22m per annum, added almost £100m to net assets and paid £58m in dividends, all from the trading segments it now operates, and at no stage in the downturn, between 2008 and 2010, did the Company make a trading loss. Forecasts for the viability assessment period indicate a positive continuation of these financial results, underpinned by the commercial development and land opportunities we already control.

The assessment process

The Group's prospects are assessed through an annual budgeting process led by the main Board Executive Directors and the boards of the individual subsidiaries. A detailed annual budget is agreed prior to the commencement of the current financial year and reforecasting takes place each month throughout the financial year within each business and consolidated at Group level. The two succeeding years are also forecast, using predominantly known and controlled opportunities, to assess the longer-term viability of the Group. As a largely deal-driven business, it is considered inappropriate to attempt to forecast further out via an extrapolation of years one to three, albeit asset trading and development is central to the Group's long-term strategy. Stress testing these forecasts highlights that if economic conditions worsen and developments and land sales do not happen as envisaged, we invest and borrow less and, whilst profitability is lower, the stable construction segment income covers most of our overhead costs. Whilst we do not foresee it, only a very long-term, unprecedented lack of liquidity in the UK residential and commercial property markets would cause any threat to the viability of the Group.

Assessment of viability

The long-term strategy, the annual budget and the two-year forecasts reflect the Directors' best estimates of the future prospects for the business. We have also reviewed a number of potential viability risks to the Group and consider that the following represent scenarios which if not carefully managed could impact on the Group's viability:

Firstly, overtrading developments in progress with the attendant increase in leverage, at the same time as the property cycle turns down, asset values are falling and schemes have to be completed to create best value. This creates a potentially damaging scenario where debt is rising and asset values are falling. Mindful of this scenario, we have prudent debt levels (even at maximum facility utilisation of £65m) and we have pre-sold more than 90% of the current development work in progress.

Secondly, a health and safety related breach that causes a fatality (or similar serious outcome). We manage this risk through a very robust health and safety policy, zero tolerance towards policy breaches and treat health and safety as the first matter for discussion on our Company Board meeting agendas. Our safety scores continue to be well into the top quartile of the UK construction industry and we have achieved a very safe working environment over the last 20 years.

Viability Statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over the three-year period ending 31 March 2019.

Henry Boot

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

Q With the Board changes this year, how does the new structure offer the best opportunity for long-term creation of value for shareholders?

A Our new Non-executive Directors, Joanne Lake, Peter Mawson and Gerald Jennings, bring extensive corporate finance, planning, strategic land and commercial development experience to the Board.

Jamie Boot, as Chairman, will continue to apply his wealth of knowledge and skills to looking after shareholders' interests which he has done successfully for over 30 years. The appointees to the Board, who joined Jamie and James Sykes, are ideally suited to support our new Group Executive team of John Sutcliffe as Chief Executive Officer and Darren Littlewood as Group Finance Director. The Board as a cohesive unit will make a strong contribution to the delivery of our strategic goals in the future.

GOVERNANCE

Strong governance within Henry Boot keeps the Company true to its historic identity, safeguards and promotes the values of today, and identifies our vision for the future.

By exhibiting leadership the Board motivates employees to achieve personal as well as team and Company goals. The Board also reassures stakeholders about how the Company is being managed in an effective and organised manner. Our Board of Directors demonstrates the right blend of skills, experiences and perspectives to lead the Company forward in a cohesive, consistent and confident manner. Strong governance is about people and how those people work together towards a shared vision.

Jamie Boot
Chairman

Contents

Board of Directors

Jamie Boot
Chairman

Current Role
Chairman since January 2016. Appointed an Executive Director in June 1985 and a Non-executive Director in January 2016.

Committees
Nomination, Audit and Remuneration.

Past Roles
Group Managing Director from July 1986 to December 2015. Managing Director at Henry Boot Developments Limited and Director at Henry Boot Homes Limited.

Brings to the Board
Jamie has over 30 years' experience as a director of Henry Boot PLC and has been a director of the Company's four principal operating subsidiaries. Jamie's role now sees him responsible for the leadership of the Henry Boot PLC Board and having overall responsibility for the management of the Audit, Remuneration and Nomination Committees.

John Sutcliffe
Chief Executive Officer

Current Role
Chief Executive Officer since January 2016. Appointed an Executive Director in October 2006.

Additional Roles Held
Chairman of the Company's four principal operating subsidiaries. Member of the CBI Yorkshire and the Humber Regional Council and a lay member of the Sheffield University Finance Committee.

Past Roles
Group Finance Director and Company Secretary at Town Centre Securities PLC and Finance Director of Abbeycrest plc.

Brings to the Board
John has responsibility for Group profitability and guides in the achievement of the highest level of return for a given level of risk. He is also responsible for communicating strategy and results to both private and institutional investors.

Darren Littlewood
Group Finance Director

Current Role
Group Finance Director and Executive Director since January 2016.

Additional roles held
Director of the Company's four principal operating subsidiaries.

Past Roles
Group Financial Controller from January 2008 to December 2015.

Brings to the Board
Darren qualified as a member of the Chartered Institute of Management Accountants in 2007 and is responsible to the Board for all financial and risk matters relating to the Henry Boot Group of Companies. He is heavily involved in investor communications and, along with John Sutcliffe, is also responsible for communicating strategy and results to both private and institutional investors.

Joanne Lake
Deputy Chairman

Current Role
Deputy Chairman since January 2016. Appointed a Non-executive Director in October 2015.

Committees
Nomination, Audit and Remuneration (Chairman).

Additional Roles Held
Deputy Chairman and Non-executive Director of Mattioli Woods plc, Non-executive Director of Gateley (Holdings) Plc, Trustee of The Hepworth Wakefield.

Brings to the Board
Joanne has over 30 years' experience in accountancy and investment banking, including with Panmure Gordon, Evolution Securities, Williams de Broe and Price Waterhouse. She is a Chartered Accountant and a Fellow of the Chartered Institute for Securities & Investment and of the ICAEW, and is a member of the ICAEW's Corporate Finance Faculty.

James Sykes
Non-Executive Director

Current Role
Non-executive non-independent Director since March 2011.

Committees
Nomination, Audit (Chairman) and Remuneration.

Additional Roles Held
Partner in the London office of Saffery Champness, Chartered Accountants which he joined in 1987. He is a Non-executive Director of Saffery Champness' businesses in both Guernsey and Switzerland.

Brings to the Board
James' experience as an audit partner is very important in his role as Chairman of the Audit Committee. As a partner in the Private Wealth and Estates Group at Saffery Champness he has many years' experience in the UK strategic land market and brings that experience to board decision making generally but more especially to Hallam Land Management Limited.

Peter Mawson
Non-Executive Director

Current Role
Senior Independent Non-executive Director since January 2016.
Appointed a Non-executive Director in October 2015.

Committees
Nomination (Chairman), Audit and Remuneration.

Additional Roles Held
Chairman of Nexus Planning Limited, Non-executive Director of Infinite Spada Limited.

Past Roles
Chief Executive of Donaldsons LLP and Chief Executive of Urban Development Corporation.

Brings to the Board
Peter has a wealth of experience in the management and leadership of professional service firms, together with senior practitioner expertise across the built environment, from both public and private sector perspectives.

Gerald Jennings
Non-Executive Director

Current Role
Non-executive Director since October 2015.

Committees
Nomination, Audit and Remuneration.

Additional Roles Held
Non-executive Director of the Ahead Partnership, Non-executive Director of West and North Yorkshire Chamber of Commerce, Trustee Director and Chair of PSL and Governor at Leeds City College, President of the Leeds Chamber of Commerce and Director of G R Jennings Properties Ltd.

Past Roles
Retail Portfolio Director at Land Securities PLC.

Brings to the Board
Gerald has over 25 years' experience in the retail and property industry. Most recently Gerald was responsible for the delivery of the one million sq ft Trinity Leeds retail scheme.

Russell Deards
Company Secretary

Current Role
Group General Counsel since 2014 and Company Secretary since September 2013.

Additional Roles Held
Responsible for Legal, Insurance, IT and secretariat matters.

Past Roles
Head of Legal Services for Barratt Developments in 2007 and Partner at Flint Bishop Barnett Solicitors in 2011.

Senior Management

David Anderson
Henry Boot Developments Limited

Appointment date
Managing Director in 2005.

Brings to the role
David Anderson, BSc (Hons), MRICS, 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.

Giles Boot
Banner Plant Limited

Appointment date
Managing Director in 2000.

Brings to the role
Giles Boot, BA (Hons), 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.

Simon Carr
Henry Boot Construction Limited

Appointment date
Managing Director in 2009.

Brings to the role
Simon Carr, BSc (Hons), FRICS, has been with Henry Boot for over 28 years. He has held a number of positions on the construction side of the business, including Partnering Manager and Operations Director. Simon is a private sector board member of the Sheffield City Region Local Enterprise Partnership and the Sheffield City Region Housing Executive Board. He is the current chair of the National Federation of Builders and also sits on the CBI Construction Council.

Nick Duckworth
Hallam Land Management Limited

Appointment date
Managing Director in 2016.

Brings to the role
Nick Duckworth, MRTPI, began his career in a private sector planning consultancy, Phillips Planning Services, in 1990. He left there in late 1992 and joined Hallam's then newly established Northampton office. In 1997 Nick set up the South West office of Hallam in Bristol and became the Regional Manager. He was appointed a Director in 2002.

Darren Stubbs
Stonebridge Projects Limited

Appointment date
Managing Director (start of joint venture) in 2010.

Brings to the role
Darren Stubbs started work at Tay Homes plc at the age of 16 and by the age of 25 he was Managing Director of his own small housebuilding company based in Leeds. Over the next 15 years he grew the business to achieve an annual turnover of £25 million. In 2010 he formed a new house builder and property company, Stonebridge Projects Limited, in a joint venture partnership with Henry Boot PLC.

Trevor Walker
Road Link (A69) Limited

Appointment date
General Manager in 2005.

Brings to the role
Trevor Walker, IEng AMICE, joined Road Link (A69) Limited in 1996 at the start of the 30-year Private Finance Project to operate and maintain the A69 trunk road. He was previously involved in trunk road maintenance in the south of Scotland. He undertook various road and bridge maintenance roles within Road Link (A69) Limited in the early years, helping to establish the company before his appointment as General Manager in 2005.

Pictured (from left to right): Russell Deards, John Brown, Peter Mawson, James Sykes, John Sutcliffe, Michael Gunston, Gerald Jennings, Joanne Lake, Jamie Boot, Simon Carr, Trevor Walker, Darren Littlewood, David Anderson, Giles Boot, Darren Stubbs.

Inset: Keran Power and Nick Duckworth.

For more information about our **Directors** and **Senior Management** please visit our website **www.henryboot.co.uk/about-us/board-senior-management**

Chairman's Introduction

"I am very pleased to 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 to the effectiveness of the Board have been applied.

The Board remains committed to ensuring that it provides effective leadership and demonstrates high ethical standards. This is one demonstration of my, and our, determination to add value to the Company. One of the ways in which we achieve 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.

I stepped down as Group Managing Director after 29 years in December 2015, and was appointed Chairman on 1 January 2016, at which date John Sutcliffe was appointed Chief Executive Officer. As Chairman, I am responsible for the leadership of the Board and ensuring that it operates effectively. The Board has clearly defined roles for each member, as described in the table on page 57. 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. When John Brown and Michael Gunston announced their decision to retire as Non-executive Directors and I announced my decision to step down as Group Managing Director, the Board thought it right that I became Chairman due to my longevity of service and extensive knowledge and experience within Henry Boot thus enabling the Group to continue to be cohesive, consistent and confident. Clearly if I was to become Chairman, the Board also felt it right to appoint three new independent Non-executive Directors, Joanne Lake, Peter Mawson and Gerald Jennings, and to appoint one of these as Deputy Chairman, Joanne, to ensure independence and a clear separation from my old role to my new role. 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 now subject to re-election by shareholders annually.

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

Jamie Boot
Chairman
22 April 2016

Corporate Governance Statement

The Board reaffirms its commitment to achieving and maintaining a high standard of corporate governance. To be effective, it is felt that such governance must reflect the unique standing of the Company and the composition of both its institutional and individual 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 attainment of corporate objectives.

During the accounting period under review, the Company, as a premium listed company, was subject to the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC). The UK Corporate Governance Code is available free of charge on the FRC website at www.frc.org.uk/publications.

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 adopts a pragmatic approach 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 52 to 59.

Retirements and appointments to the Board

As announced in August 2015, John Brown, Non-executive Chairman, and Michael Gunston, Senior Independent Non-executive Director, retired from the Board on 31 December 2015. A succession plan had been considered for some time and, therefore, also on 31 December 2015, Jamie Boot retired as Group Managing Director and replaced John Brown as Non-executive Chairman on 1 January 2016 and also from 1 January 2016, became a member of the Nomination, Audit and Remuneration Committees. John Sutcliffe, who had been Group Finance Director for the previous nine years, took over as Chief Executive Officer and Darren Littlewood, previously Group Financial Controller, took over as Group Finance Director, both from 1 January 2016.

On 1 October 2015, to work with this team, and to allow for a sensible handover period, the Company appointed three new independent Non-executive Directors, Joanne Lake, Peter Mawson and Gerald Jennings, who also became members of the Nomination, Audit and Remuneration Committees, and their biographical summaries can be found on page 50. Following these appointments, on 1 January 2016, Joanne Lake commenced her roles as Deputy Chairman of the Company and Chairman of the Remuneration Committee, and Peter Mawson became the Senior Independent Non-executive Director of the Company and Chairman of the Nomination Committee.

The additional independent Non-executive Directors were considered necessary to ensure independence and good governance.

The Board believes these changes ensure that the Board and the Company can continue to act in a cohesive, consistent and confident manner, in accordance with the Company's values.

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.

In December 2015, the Board consisted of eight Directors, two of whom were Executive Directors and the remaining six, including the Chairman, were Non-executive Directors. From 1 January 2016, the Board comprises seven Directors; two are Executive Directors and five are Non-executive Directors. Director biographical summaries appear on page 50.

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 each respective board of directors, led by a Managing Director. The Executive Directors of the Company are also directors of each subsidiary.

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.

Corporate Governance Statement continued

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, insurance and IT. HR reports are also provided to the Board for review and comment. 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, as directors of those subsidiaries, accompanied by the Group General Counsel & Company Secretary. Operational decisions affecting each subsidiary are taken by the individual subsidiary boards at their meetings.

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

The Group General Counsel & Company Secretary is responsible for information flows between the Board, its Committees and the boards of subsidiary companies. Formal inductions for new Directors have been developed, along with continued professional development training. The Group General Counsel & Company Secretary also ensures procedures, regulations and law are followed and advises the Board on governance issues. The question of conflicts of interest is raised at every Board meeting of the Company and its subsidiaries.

Board effectiveness

The roles of John Brown until 31 December 2015 and Jamie Boot from 1 January 2016, and the Group Managing Director Jamie Boot until 31 December 2015 and the Chief Executive Officer John Sutcliffe from 1 January 2016, are clearly defined and they act in accordance with the main and supporting principles of the Code.

The division of responsibilities of the Board of Directors is summarised on page 57.

The Chairman is responsible for leadership of the Board and ensuring it operates in an effective manner. It is considered that 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 so as to be effective.

The Chairman is in regular contact with the Chief Executive Officer 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, John Brown, Michael Gunston, Joanne Lake, Peter Mawson and Gerald Jennings are the independent Non-executive Directors. Although John Brown had served for more than nine years, he continued to demonstrate his independence from the Company and objective approach in the way he challenged the Executive Directors and accordingly, notwithstanding the length of his service, John Brown remained independent as determined by the Board. Michael Gunston was the Senior Independent Director of the Company. James Sykes was appointed to represent the substantial shareholdings of the Reis family interests (see page 75) 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. However, on 1 October 2015, Joanne Lake became our first appointed female main Board independent Non-executive Director and from 1 January 2016 was appointed Deputy Chairman of the Company. We are committed to ensuring that appointments made to the Board, and at senior management level, are made on merit.

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 Group General Counsel & 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.

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 2015.

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. Leadership training for the leaders of today and tomorrow has been developed and was launched in 2015 as part of the process of succession planning. Further leadership training is now being developed and rolled out.

Annual re-election by shareholders

The Company's Articles of Association (Articles) require Directors 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. In addition, the UK Corporate Governance Code includes a proposal that all directors of FTSE 350 companies should be subject to annual re-election. The Board has decided that all of the Directors will retire from the Board and offer themselves for re-election at the forthcoming AGM. The Nomination Committee has conducted formal performance evaluations of all the Directors seeking re-election and has concluded that their performance continues to be effective and that they demonstrate commitment to the role. The Committee is also satisfied that the backgrounds, skills, experience and knowledge of the Company of the Directors collectively enables the Board and its Committees to discharge their respective duties and responsibilities effectively. The Directors' biographies are shown on page 50.

Training and development

The Board receives 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.

Corporate Governance Statement continued

Board and committee meetings

Throughout the year, there were seven Board meetings. In addition, the Board also delegates some of its duties and powers to committees to deal with specific business needs and also holds a meeting at least once a year dedicated almost entirely to strategy. The Board has formally constituted Nomination, Audit and Remuneration 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, two Nomination Committee meetings, four Remuneration Committee meetings and the AGM were held in 2015. Attendance at the Board meetings and Committee meetings held during 2015 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 including the Strategy Day. 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 60 to 73.

An additional meeting of the Board of Directors was held in August 2015 to approve the appointments of Joanne Lake, Peter Mawson and Gerald Jennings, the appointment of Jamie Boot as Chairman, the promotion of John Sutcliffe to Chief Executive Officer and the promotion of Darren Littlewood to Group Finance Director, following the recommendation of the Nomination Committee. Full details can be found on page 60.

Director	Board	Audit	Remuneration	Nomination
John Brown[1]	7/7	2/2	4/4	2/2
Jamie Boot[2]	7/7	—	—	—
John Sutcliffe[3]	7/7	—	—	—
Joanne Lake[4]	2/7	—	—	—
Michael Gunston[5]	6/7	2/2	4/4	2/2
Gerald Jennings[6]	2/7	—	—	—
Peter Mawson[7]	2/7	—	—	—
James Sykes	7/7	2/2	4/4	2/2

1 John Brown retired from his position as Non-executive Chairman of the Company on 31 December 2015.

2 Jamie Boot retired from his position as Group Managing Director of the Company on 31 December 2015 and replaced John Brown as Non-executive Chairman of the Company on 1 January 2016.

3 John Sutcliffe relinquished his position as Group Finance Director of the Company on 31 December 2015 and commenced his position as Chief Executive Officer of the Company on 1 January 2016.

4 Joanne Lake commenced her appointment as Non-executive Director of the Company and member of the Nomination, Audit and Remuneration Committees on 1 October 2015. Joanne then became Deputy Chairman of the Company and Chairman of the Remuneration Committee on 1 January 2016.

5 Michael Gunston was unable to attend a meeting due to illness, but reviewed the papers and provided his comments to the Chairman prior to the meeting. Michael resigned from his position as Senior Independent Non-executive Director of the Company on 31 December 2015.

6 Gerald Jennings commenced his appointment as Non-executive Director of the Company and member of the Audit, Nomination and Remuneration Committees on 1 October 2015.

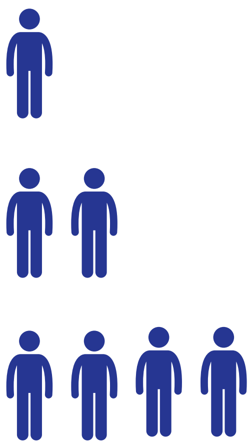
7 Peter Mawson commenced his appointment as Non-executive Director of the Company and member of the Nomination, Audit and Remuneration Committees on 1 October 2015. Peter then became Senior Independent Non-executive Director of the Company and Chairman of the Nomination Committee on 1 January 2016.

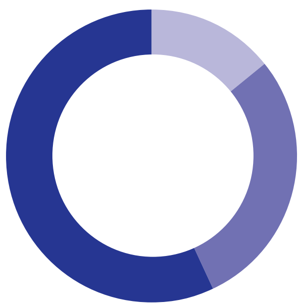
Board composition

Non-Executive Chairman
14%

Executive
29%

Non-Executive
57%





■	**Non-Executive Chairman**	**14%**
■	**Executive**	**29%**
■	**Non-Executive**	**57%**

How the responsibilities of the Board are divided

The Chairman

- Leads the Board in determining strategy and in the achievement of its objectives;
- Facilitates the effective contribution of the Non-executive Directors and constructive relations between Executive and Non-executive Directors;
- Ensures that the continued development needs of the Directors are identified and addressed;
- Has an oversight role and is available to all shareholders; and
- Has overall responsibility for the Committees.

Group Finance Director

- Responsible for devising and implementing the Group's financial strategy, policies and risk; and
- Acts as Director of the subsidiaries and attends the subsidiary board meetings.

Deputy Chairman & Independent Non-Executive Director

- Deputises for the Chairman;
- Constructively challenges the Executive Directors;
- Considers proposals on strategy;
- Ensures Board independence; and
- Monitors the implementation of the Group's strategy within its risk and control framework.

Independent Non-Executive Director

- Constructively challenges the Executive Directors;
- Considers proposals on strategy;
- Ensures Board independence; and
- Monitors the implementation of the Group's strategy within its risk and control framework.

Non-independent Non-Executive Director

- Represents the interests of major shareholders;
- Constructively challenges the Executive Directors; and
- Considers proposals on strategy.

Chief Executive

- Has overall responsibility for the implementation of strategy, annual budgets, interaction with the City and market forecasts;
- Recommends Group strategy to the Board;
- Responsible for the day-to-day leadership and management of the operational activities of the Group in accordance with overall strategy and policy as determined by the Board;
- Runs the Company and its subsidiaries;
- Acts as Chairman of the subsidiaries and attends the subsidiary board meetings;
- Director responsible for Group health and safety matters;
- Allocates responsibilities for the running of subsidiary companies, finance, company secretarial, legal, insurance, communications, HR and IT to the department heads or subsidiary Managing Directors as applicable; and
- Day-to-day operational management is devolved to management within each subsidiary business.

Senior Independent Non-Executive Director

- Constructively challenges the Executive Directors;
- Considers proposals on strategy;
- Ensures Board independence;
- Monitors the implementation of the Group's strategy within its risk and control framework;
- Acts as a sounding board for the Chairman and an intermediary for other directors; and
- Available to shareholders if they have concerns where contact through the normal channels (the Chairman or the Chief Executive Officer) has failed to resolve or for which contact is inappropriate.

Group General Counsel & Company Secretary

- Supports the Chairman and Chief Executive Officer in fulfilling their duties;
- Available to all directors for advice and support;
- Keeps the Board regularly updated on governance matters;
- Ensures Group policies and procedures are maintained and updated on a regular basis;
- Attends and maintains a record of the matters discussed and approved at Board and Committee meetings; and
- Company Secretary of the subsidiaries and attends at the subsidiary board meetings.

Corporate Governance Statement continued

Risk management and internal controls

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 Board is satisfied with the system in place but will keep it under review. 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.

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 John Sutcliffe. 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 Company officer (either an Executive Director or the Group General Counsel & Company Secretary) 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 set 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; the Board is satisfied with current arrangements, which will, however, be kept under review.

Every review comprises a balanced, comprehensive and understandable analysis of:

- the development and performance of the Company's business during the financial year; and
- the position of the Company's business at the end of the financial year, consistent with the size and complexity of the business.

The reviews include:

- analysis using financial key performance indicators; and
- where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

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.

The Company's policy was updated and reissued in 2014. On-site and internet-based training for all staff is arranged. In addition, new or updated policies have been issued covering competition law, gifts and hospitality and staff purchases and an overarching Ethics Policy put in place. All policies reflect and refer to the Group's Values and further training is being delivered on all relevant topics.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 79. The Independent Auditors' Report is given on pages 82 to 87.

The Directors' statement in respect of the business as a 'going concern' is provided in the Directors' Report on page 74.

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, 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 12 months and also links to the websites of our four principal operating subsidiaries. Shareholders may choose to receive the Annual Report and Financial Statements 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 2015, proxies were received representing 70.54% 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 Director's Report on page 76.

Compliance Statement

The Company has complied with the vast majority of the provisions of the September 2014 edition of the UK Corporate Governance Code that are applicable to it for the year ended 31 December 2015. 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

In 2015, the then Chairman and two other Non-executive Directors, and from 1 October 2015, the three other Non-executive Directors, were members of the Remuneration Committee. The remuneration of the Non-executive Directors, including the Chairman, 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.

Approved by the Board and signed on its behalf by

Russell Deards
Group General Counsel & Company Secretary
22 April 2016

Nomination Committee Report

Statement from the Chairman of the Nomination Committee

Those serving as members of the Nomination Committee (the Committee) for the whole of 2015 were John Brown (Committee Chairman), Michael Gunston and James Sykes. From 1 October 2015, additional serving members were Gerald Jennings, Joanne Lake and Peter Mawson. Jamie Boot was appointed a member of the Committee on 1 January 2016. Biographies of the current members of the Committee are shown on page 50.

I was appointed Chairman of the Nomination Committee with effect from 1 January 2016.

Terms of reference

The terms of reference for this Committee fully incorporate the UK Corporate Governance 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, experience, independence and diversity 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 and consultants where required to fulfil its responsibilities.

Meetings during the year

The Committee met twice during the year. Attendance at these meetings by the Committee members is shown in the table on page 56.

Nomination Committee matters are also discussed at each Board Meeting.

Committee activities during the year

- Selection process and appointment of three independent Non-executive Directors, Gerald Jennings, Joanne Lake and Peter Mawson, from 1 October 2015, to replace John Brown and Michael Gunston;
- Appointment of Jamie Boot as Chairman, Joanne Lake as Deputy Chairman and Peter Mawson as Senior Independent Non-executive Director from 1 January 2016; and
- Consideration and approval of the appointments and promotions of John Sutcliffe to Chief Executive Officer and Darren Littlewood to Group Finance Director from 1 January 2016.

Letters of appointment

The letters of appointment for all Non-executive Directors clearly set out the time commitment expected from each Non-executive Director to ensure they satisfactorily perform their duties. Each Non-executive Director confirms that they are able to allocate the time commitment required at the time of their appointment and thereafter as part of their individual annual effectiveness review undertaken by the Chairman.

Approved by the Board and signed on its behalf by

Peter Mawson
Chairman of the Nomination Committee
22 April 2016

Audit Committee Report

Statement from the Chairman of the Audit Committee

Those serving as members of the Audit Committee (the Committee) for the whole of 2015 were James Sykes (Committee Chairman), John Brown and Michael Gunston. From 1 October 2015, additional serving members were Gerald Jennings, Joanne Lake and Peter Mawson. Jamie Boot was appointed a member of the Committee on 1 January 2016. Biographies of the current members of the Committee are shown on page 50.

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

Terms of reference

The terms of reference for this Committee fully incorporate the UK Corporate Governance 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 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 financial reports;
- to oversee the selection process with regard to external auditors, to consider the appointment/reappointment 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 and Corruption Policy.

Audit Committee Report continued

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 56.

Audit Committee matters are also discussed at each Board meeting.

Committee activities during the year

In 2015 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 2015.

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 and viability statement

The Committee reviewed and considered in depth papers relating to the going concern and viability statement disclosures in the Annual Report and Financial Statements. The Strategic Report discloses the conclusion of these reviews on page 47.

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.

Provision accounting judgements

As more fully detailed in our accounting policy for provisions, the Group retains significant liabilities for the infrastructure and services which remain with the Group following the disposal of land and which are accounted for in accordance with those accounting policies.

Provisions are subject to quarterly reconciliation carried out by external cost consultants and are reviewed by senior management, the Board and the Committee in order to reassess the adequacy of the remaining provisions and the effectiveness of costs incurred to date against the original forecast.

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 senior management, the Board and the Committee by reference to development appraisals, planning agreements and market demand.

Valuation of pension scheme liability

The Group sponsors a funded defined benefit pension scheme in the UK which is valued under the provisions of IAS 19. The pension scheme is valued by a qualified independent actuary, using the projected unit method, at each accounting period end. The Committee critically reviewed the assumptions used by the actuary in performing these valuations and was satisfied with the appropriateness of the assumptions within the requirements of the IAS 19 standard.

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.

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 partner to rotate every five years. The statutory auditor signing the Audit Report is Mr Andy Ward, who was appointed as the lead partner in 2013.

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 audit partners is not impaired and that the amount of non-audit fees are at a level which does not impact on the statutory auditors' independence and objectivity.

Audit quality and approach to audit tender

The Henry Boot PLC audit was put out to tender six years ago and PricewaterhouseCoopers LLP was awarded the work from a shortlist 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 auditors' 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 reappointed at the AGM and that the Directors are authorised to fix their remuneration.

The Committee is aware of the recently introduced disclosure requirements on certain larger companies where the external audit contract is not put out to tender every five years. These requirements do not apply to Henry Boot PLC.

Risk management and controls

Details of the key risks which the Group face, 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 42 to 47.

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.

Approved by the Board and signed on its behalf by

James Sykes
Chairman of the Audit Committee

22 April 2016

Directors' Remuneration Report

Statement from the Chairman of the Remuneration Committee

On behalf of the Board and the Remuneration Committee (the Committee), as Chairman of the Committee, I am pleased to present my first Henry Boot PLC (the Company) Directors' Remuneration Report for the year ended 31 December 2015.

The cohesive and consistent strategy aimed at creating long-term shareholder value produced another very strong result in 2015. The markets in which our various businesses trade were all continuing on an improving trend; however, these markets can still catch out the imprudent or unwary operator and have to be managed with skill, care and confidence.

2015 proved to be an even better result for the Group than 2014, which in itself was the best since 2007 with:

- profit before tax increasing 14% to £32.4m;
- basic earnings per share increasing 8% to 17.5p;
- Return on Capital Employed increasing 80 bps to 12.2%;
- dividends for the year increasing 9% to 6.10p;
- dividend cover is approaching our long-term goal of three times;
- our strategic land portfolio increased in size again to over 11,000 acres with planning permission on over 12,000 units;
- we have more active commercial developments in progress than at any stage since 2007;
- our construction business has a strong order book for 2016 and the plant hire business is operating at its highest level of utilisation than for many years.

Executive remuneration outcomes for 2015

In the current market conditions the 2015 results, with a 14% increase in pre-tax profits, were very strong. In 2015 the combined overall remuneration of the Executive Directors, on a like for like basis rose, by 0.5%, and 2.1% including the costs of our new Non-executive Directors in the handover period with those retiring at the end of the year.

Basic salaries were increased by 3% both at 1 January 2015 and 1 January 2016 compared to an increase across the Company in total of 4.38%.

Bonuses were paid in line with the Remuneration Policy approved at the Annual General Meeting (AGM) in May 2015. Target profit was set at £25m. The profit before tax of £32.4m exceeds the target by 29.6% and this gives rise to a bonus of 96.4% of salary for the year ended 31 December 2015.

In addition, the Remuneration Committee set 18 individual targets, which were the same for Jamie Boot and John Sutcliffe. These covered financial measures such as the achievement of individual subsidiary budgets, cash flow generation and health and safety, environmental and Investors in People measures, a measure related to positive investor feedback, and litigation risk. The Remuneration Committee consider that the Directors achieved 90% of these targets resulting in a bonus of 9% of salary.

Therefore, the total bonus for both Executive Directors is 105.4%.

LTIPS vesting, based on performance for the three years to 31 December 2015, were granted prior to the Remuneration Policy adoption at the AGM in 2014. The performance criteria for these awards are:

i. up to 50% of the award is dependent on profit before tax ahead of inflation;

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

iii. any amounts derived from the above are then subject to an underpin based on Total Shareholder Return compared to a comparator group of companies. If Henry Boot is above the median, any awards derived in (i) and (ii) are confirmed; below the median these derived awards are reduced by 50%.

For these awards the actual performance against the targets to 31 December 2015 was:

i. profit before tax increased by 143% against the inflation measure, including the 4% excess applied each year of 18% and therefore, this part of the award vests in full;

ii. the increase in the property index was 30%. The balance sheet adjusted NAV growth was 32% and therefore 43% of the award vests;

iii. Total Shareholder Return of 83% was below the median when set against the comparator group and therefore the awards in (i) and (ii) are reduced to 50%.

Therefore, the award of LTIP shares to Jamie Boot is 64,740 shares, and John Sutcliffe 48,974 shares.

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 2015. 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%. The annual bonus scheme has specific performance criteria applied to future awards rather than the discretionary criteria used up to 31 December 2013. The introduction of a new revised LTIP scheme at the 2015 AGM incorporates, for the first time, a holding period and malus and clawback conditions. These malus and clawback conditions will also apply to the operation of the annual bonus scheme for the financial year commencing on 1 January 2015.

These changes are intended to ensure our policy operates in line with best practice.

The application of Directors' Remuneration Policy for 2016

- The Executives and Non-executive Directors were awarded a 3% uplift in basic salary for the year ending 31 December 2016. The average across the workforce as a whole was 4.38%.
- The bonus opportunity for the Executives is detailed in the Remuneration Policy and will apply as laid out in the policy.
- The profit before tax target is considered commercially sensitive and will therefore be disclosed retrospectively, as we have done in respect of prior years.
- LTIPS will be awarded under the 2015 scheme rules which include clauses in respect of clawback and malus in line with generally accepted guidelines and the updated UK Corporate Governance Code. The performance targets will be in accordance with the Remuneration Policy. It is expected that the award will be at a level equal to 100% of salary.

Clawback and malus conditions will be applied to both the bonus and Long Term Incentive Plan (LTIP) elements of remuneration in 2016. Specifically, this will arise if the Remuneration Committee considers that there has been a material misstatement within the subsidiary or Group Financial Statements; or a material error in the calculation of any performance condition; or materially inaccurate or misleading information, or in the case of action or conduct of the participant which amounts to fraud or gross misconduct or has a material detrimental effect on the reputation of the Group. Any future awards will also be subject to clawback of all or part of the award during a two-year period in the above circumstances. It is not expected that there will be any material amendments to the value of other benefits, including pensions, during 2016.

The report 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.

The report sets out payments and awards made to the Directors and details the link between performance and remuneration for 2015. The report, and this Chairman's letter, is subject to an advisory shareholder vote at this year's AGM (please see Resolution 3) 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 66 to 73 of the Directors' Remuneration Report is subject to audit.

Summary of the Committee's activity during 2015

During 2015 the Committee:

1. considered Directors' base pay and benefits for 2015 and 2016. Salary rises for the Executive Directors at 1 January 2015 were 3% and from 1 January 2016 have been set at 3%;
2. conducted a review of the LTIP performance metrics and level of reward for the year under review;
3. conducted a review of the performance of the Executive Directors for 2015 and against that background, set performance targets for 2016;
4. sought the approval of a new LTIP scheme at the AGM in May 2015 which was approved overwhelmingly by shareholders;
5. considered the drive by investors to include clawback and malus clauses in the areas of bonus and LTIPS and introduced these measures in 2015 and future years for both bonus and LTIP sections of Executives' remuneration.
6. considered and approved the remuneration packages for John Sutcliffe and Darren Littlewood with effect from 1 January 2016. For John Sutcliffe this was set at £376,236 and for Darren Littlewood set at £150,000. The Committee anticipate reviewing the remuneration package of Darren Littlewood each year for the next four years at a rate of £25,000 per annum.

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.

Our Directors' Remuneration Policy, which was approved at the AGM on 21 May 2015, remains unchanged and is available to view, and download, on the website:

www.henryboot.co.uk/about-us/governance

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 Directors' Remuneration Report at this year's AGM.

Joanne Lake
Chairman of the Remuneration Committee
22 April 2016

Directors' Remuneration Report continued

Annual Report on Remuneration

The following parts of the Directors' Remuneration Report are subject to audit.

Single total figure of remuneration

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

Year ended 31 December 2015	**Total salary and fees £'000**	**Taxable benefits £'000**	**Annual bonus £'000**	**Long-term incentives £'000**	**Pension related benefits £'000**	**Total £'000**
Jamie Boot	**365**	**30**	**385**	**146**	**73**	**999**
John Sutcliffe	**249**	**24**	**263**	**111**	**50**	**697**
John Brown	**57**	**—**	**—**	**—**	**—**	**57**
Michael Gunston	**41**	**—**	**—**	**—**	**—**	**41**
James Sykes	**41**	**—**	**—**	**—**	**—**	**41**
Joanne Lake	**10**	**—**	**—**	**—**	**—**	**10**
Gerald Jennings	**10**	**—**	**—**	**—**	**—**	**10**
Peter Mawson	**10**	**—**	**—**	**—**	**—**	**10**
	783	**54**	**648**	**257**	**123**	**1,865**

Year ended 31 December 2014	Total salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives[1] £'000	Pension related benefits £'000	Total £'000
Jamie Boot	355	30	402	142	71	1,000
John Sutcliffe	242	24	275	97	48	686
John Brown	60	—	—	—	—	60
Michael Gunston	40	—	—	—	—	40
James Sykes	40	—	—	—	—	40
	737	54	677	239	119	1,826

1 The value of long-term incentives has been adjusted from the average share price for the period 1 October 2014 to 31 December 2014 of £1.88 to the price on the day the shares were issued of £2.31.

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 is 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 pages 67 and 68.
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 2015 valued at the average share price over the last three months of 2015. 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 69.
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.

Individual elements of remuneration

Base salary and fees

Executive Directors

Salary effective from	1 January 2016 £	1 January 2015 £
Jamie Boot	—	365,277
John Sutcliffe	376,236	249,311
Darren Littlewood	150,000	—

Over the years 2010 – 2013 basic salary increases for the Executive Directors were 2%; for 2014 and 2015 the increase was 3%. At 1 January 2016 John Sutcliffe was appointed CEO and received a remuneration package equivalent to that received by Jamie Boot in 2015 plus 3%. Darren Littlewood received a remuneration package which will be reviewed by the Committee over the next four years. Average salary increases for the wider employee population were 3.65% from 1 January 2014, 3.82% from 1 January 2015 and 4.38% on 1 January 2016.

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 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 2016 £	1 January 2015 £
John Brown	—	61,800
Michael Gunston	—	41,200
Jamie Boot	80,000	—
James Sykes	42,436	41,200
Joanne Lake	42,436	—
Gerald Jennings	42,436	—
Peter Mawson	42,436	—

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 the Senior Non-executive Director. Any newly appointed Non-executive Independent 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 are subject to malus and deferral provisions within the scheme.

Directors' Remuneration Report continued

Summary of bonuses earned for 2015

Measure	Maximum award as % of salary	Targets and bonus potential for 2015			Actual performance	Actual bonus value achieved (% of salary)	
		% of target	2015 target range	Bonus payable as % salary		Jamie Boot	John Sutcliffe
Profit before tax	110%	90%	£22.5m	10%	£32.4m	**96.4%**	**96.4%**
		100%	£25.0m	50%			
		120%	£30.0m	90%			
		150%	£37.5m	110%			
Personal objectives	10%	See commentary below				**9%**	**9%**
Bonus amount achieved as % salary						**105.4%**	**105.4%**
Bonus amount earned						**£385,002**	**£262,774**
Maximum bonus as % salary						**120%**	**120%**
Bonus amount achieved as % maximum						**87.8%**	**87.8%**

Bonuses were paid in line with the Directors' Remuneration Policy approved at the AGM in May 2014. Target profit was set at £25m, 25% ahead of the target set in 2014. The Remuneration Committee also set 18 individual targets, which were the same for Jamie Boot and John Sutcliffe. These covered financial measures such as the achievement of individual subsidiary budgets, cash flow generation and health and safety, environmental and Investors in People measures, a measure related to positive investor feedback, and litigation risk. The Remuneration Committee considers that the Directors achieved 90% of these targets resulting in a bonus of 9% of salary. The profit before tax of £32.4m exceeds the target by 29.6% and this, combined with the personal targets, gives rise to a bonus of 105.4% of salary for the year ended 31 December 2015.

Details of the policy for future annual bonus awards can be found in the Directors' Remuneration Policy which can be viewed, and downloaded, on the website:

www.henryboot.co.uk/about-us/governance

31 December 2016 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 2016 Directors' 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.

Long Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2013, based on performance for years 2013, 2014 and 2015, which are expected to vest in May 2016. The LTIP shares in this award are subject to the following performance criteria:

1. profit growth was 143%, which exceeded RPI growth by more than 137%. 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 was 32%, which exceeded the industry standard investment property annual index growth by just over 2%. As a result of this 43% 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 83%, putting it below the median within the comparator group. Therefore, the awards above are reduced by 50% which gave rise to the award values in the single total figure of remuneration at 31 December 2015 on page 66.

This gave rise to LTIP awards of: Jamie Boot 64,740 shares; and John Sutcliffe 48,974 shares.

LTIP awards granted in the year

	Type of award	% of salary	Number of shares	Face value to grant at £2.286 per share	% of award vesting at threshold
Jamie Boot	LTIP – nil cost option	100%	159,789	365,277	25%
John Sutcliffe	LTIP – nil cost option	100%	109,060	249,311	25%

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 2016–2018 in 2016

	Type of award	% of salary	% of award at threshold
John Sutcliffe	LTIP – nil cost option	100%	25%
Darren Littlewood	LTIP – nil cost option	100%	25%

The performance criteria for these awards are laid out in the Remuneration Policy which can be viewed, and downloaded, on the website: **www.henryboot.co.uk/about-us/governance**

These are different from the performance criteria for previous awards made in 2013, referred to above, 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 long-term shareholder value growth.
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 LTIPS awarded from 2014 onwards to be granted in 2017 onwards are:

	% linked to award	Threshold vesting of 25% of maximum award	Threshold for 100% of maximum award
EPS growth	33.3	RPIJ + 3% per annum	RPIJ + 7% per annum
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

Directors' Remuneration Report continued

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 reduced the amount of the award vesting at threshold from 30% to 25% from awards in 2014 onwards. For Jamie Boot any grant of awards in 2017 and 2018 will be on a pro rata basis to his retirement date of 31 December 2015 under the provisions for good leavers.

Pension entitlement

Jamie 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 2015 this payment amounted to £73,055.

John Sutcliffe is a member of the Henry Boot PLC Group Stakeholder Pension Plan. Contributions are made at 20% of basic salary and contributions to the Scheme in the year were £40,821 (2014: £40,000). The annual allowance for tax relief on pension savings applicable to John Sutcliffe in 2015 was £40,821 and he elected to receive a salary supplement in lieu of the employer contributions over and above this level which amounted to £9,041 (2014: £8,411).

The Henry Boot PLC Group Stakeholder Pension Plan 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 2015				
	At 31 December 2014 Legally owned	Legally owned	SAYE (not subject to performance)	LTIPS subject to performance measures	Total	Shareholding as a % of salary at 31 December 2015[1]
Jamie Boot	5,672,964	5,734,562	—	305,611	6,040,173	16,912
John Sutcliffe	511,445	510,445	—	361,204	871,649	519
John Brown	35,000	35,000	—	—	35,000	n/a
Michael Gunston	23,000	23,000	—	—	23,000	n/a
James Sykes	20,000	20,000	—	—	20,000	106
Joanne Lake	n/a	10,710	—	—	10,710	57
Gerald Jennings	n/a	—	—	—	—	—
Peter Mawson	n/a	—	—	—	—	—

The share price at 31 December 2015 was 224.00p. The salary used for this calculation is that which commences on 1 January 2016.

1 As laid out in the Remuneration Policy, which can be viewed on the website:
www.henryboot.co.uk/about-us/governance
Executive Directors are required to acquire shares outright to the value of 100% of basic salary. We note the NAPF recommends that a holding of 200% is more appropriate. Both Executive Directors comfortably exceed this level; however, the Remuneration Committee believes that setting this level as a policy for a new director is too onerous over a period of three years. 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 2015 was as follows:

	2015 Number of shares		2014 Number of shares	
	Ordinary	**Preference**	Ordinary	Preference
Jamie Boot	**5,734,562**	**14,753**	5,672,964	14,753
John Sutcliffe	**510,445**	**—**	511,445	—
John Brown	**35,000**	**—**	35,000	—
Michael Gunston	**23,000**	**—**	23,000	—
James Sykes	**20,000**	**—**	20,000	—
Joanne Lake	**10,710**	**—**	n/a	n/a
Gerald Jennings	**—**	**—**	n/a	n/a
Peter Mawson	**—**	**—**	n/a	n/a

Between 31 December 2015 and 24 March 2016, being a date not more than one month prior to the date of the Notice of the AGM, John Sutcliffe disposed of 5,000 ordinary shares. There have been no other changes in the beneficial and non-beneficial interests of any Director.

Long term incentive plan awards

Performance shares

	Plan	Date of award	Market price at date of award	At 1 January 2015	Awarded during the year	Vested during the year	Lapsed during the year	**At 31 December 2015**	Earliest/ actual vesting date	Market valuation on vesting £
Jamie Boot	2006	01/05/2012	137.0p	246,392	—	61,598	184,794	**—**	01/06/2015	142,291
	2006	18/04/2013	171.0p	201,350	—	—	19,676	**181,674**	18/05/2016	—
	2006	07/05/2014	211.0p	168,074	—	—	75,365	**92,709**	07/06/2017	—
	2015	01/06/2015	228.6p	—	159,789	—	128,561	**31,228**	01/06/2018	—
				615,816	159,789	61,598	408,396	**305,611**		142,291
John Sutcliffe	2006	01/05/2012	137.0p	168,172	—	42,043	126,129	**—**	01/06/2015	97,119
	2006	18/04/2013	171.0p	137,429	—	—	—	**137,429**	18/05/2016	—
	2006	07/05/2014	211.0p	114,715	—	—	—	**114,715**	07/06/2017	—
	2015	01/06/2015	228.6p	—	109,060	—	—	**109,060**	01/06/2018	—
				420,316	109,060	42,043	126,129	**361,204**		97,119

Directors' Remuneration Report continued

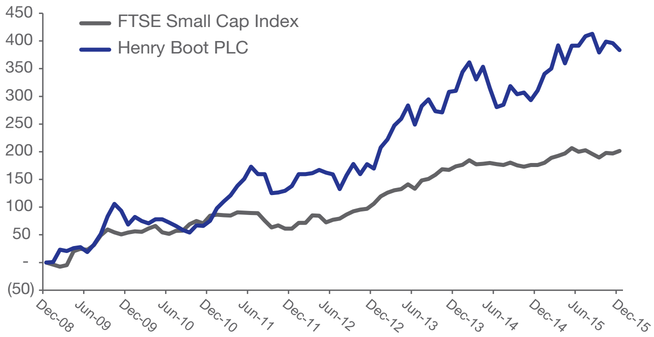
Statement of voting at the last Annual General Meeting (AGM)

The Company remains committed to shareholder dialogue and takes an active interest in voting outcomes. At the AGM on 21 May 2015 the advisory vote by shareholders to receive and approve the 2014 Directors' Remuneration Report was approved. The number of votes in favour of that resolution was 92,468,054 (99.31% of votes cast), against 634,688 (0.68% of votes cast) and abstentions 6,910 (0.01% of votes cast). The total number of votes cast in respect of this resolution represented 70.52% of the issued share capital. At the same AGM the Directors' Remuneration Policy was approved. The number of votes in favour of that resolution was 89,838,765 (96.49% of votes cast) against 2,905,772 (3.12% of votes cast) and abstentions 365,115 (0.39% of votes cast).

Share price

The middle market price for the Company's shares at 31 December 2015 was 224.00p and the range of prices during the year was 182.25p to 245.00p.

Seven-year TSR performance graph



Group Managing Director's remuneration for the previous seven years

	Total remuneration £'000	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2015	**999**	**87.8**	**25**
2014	1,000	94.5	25
2013	1,054	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 Jamie Boot compared to the wider workforce. For these purposes:

Percentage change	Note	Group Managing Director	Workforce sample
Salary		3.0%	4.38%
Taxable benefits	1	—	—
Annual bonus 2014	2	16.8%	19.8%
Annual bonus 2015	2	(4.3%)	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 (£350) for all members of the private medical scheme. Therefore, the average percentage change in taxable benefits does not provide a meaningful comparison.

Note 2

The workforce bonuses are calculated and agreed in May 2016 for the year ended 31 December 2015 and the figure is therefore not available. Therefore, the information produced is for the bonus comparisons paid in May 2015 for the year ended 31 December 2014. 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:

	2015 £'000	2014 £'000	% change
Ordinary dividends	**8,044**	7,367	9.2
Profit attributable to owners of the business	**23,041**	21,169	8.8
Overall expenditure on pay	**24,857**	24,627	0.9

Terms of reference

The terms of reference for this Committee fully incorporate the UK Corporate Governance 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 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 four times during the year. Attendance at these meetings by the Committee members is shown in the table on page 56 and further details can be found below.

Membership of the Committee

Those serving as members of the Remuneration Committee (the Committee) for the whole of 2015 were Michael Gunston (Committee Chairman), John Brown and James Sykes. From 1 October 2015, additional serving members were myself, Gerald Jennings and Peter Mawson. I was appointed Chairman of the Committee with effect from 1 January 2016 and Jamie Boot also became a member of the Committee on 1st January 2016. Biographies of the current members of the Committee are shown on page 50. Michael Gunston (Committee Chairman) and John Brown were independent Non-executive Directors of the Board until their respective retirements on 31 December 2015. Gerald Jennings, Peter Mawson and I are independent Non-executive Directors of the Board, while Jamie Boot and James Sykes are Non-independent Non-executive Directors.

The Committee consisted of the three Non-executive Directors of the Board until 30 September 2015, and six Non-executive Directors from 1 October 2015, so during the financial year was comprised as follows:

	Independent
Michael Gunston*	Yes
James Sykes	No
John Brown	Yes
Joanne Lake**	Yes
Gerald Jennings	Yes
Peter Mawson	Yes

* Committee Chairman (until 31 December 2015)

** Committee Chairman (from 1 January 2016)

During 2015 Jamie Boot, Group Managing Director, attended meetings with the Committee, as requested, in order to assist on matters concerning other senior Executives within the Group. Jamie Boot was not present during any part of the meetings where his own remuneration was 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 appointment and 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
Chief Executive Officer and Head of HR	Remuneration of staff, senior Executives and management
DLA Piper UK LLP	Share scheme matters, the rules for the 2015 LTIP Scheme. The Remuneration Committee considers that the advice DLA has given throughout the year is legal advice in compliance with relevant legislation.

Approved by the Board and signed on its behalf by

Joanne Lake
Chairman of the Remuneration Committee

22 April 2016

Directors' Report

The Directors' Report for the financial year ended 31 December 2015 is detailed below.

Activities of the Group

The principal activities of the Group are land development, property investment and development, and construction.

Strategic Report

In accordance with the Companies Act 2006, we are required to present a fair review of the Group business along with a description of the principal risks and uncertainties faced. The Strategic Report for the year ended 31 December 2015 is set out on pages 6 to 47.

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 53 to 59 and is incorporated into this Directors' Report by reference.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 88. The companies affecting the profit or net assets of the Group in the year are listed in note 35 to the Financial Statements.

The Directors recommend that a final dividend of 3.80p per ordinary share be paid, subject to shareholder approval at the 2016 AGM on 31 May 2016, to ordinary shareholders on the register at the close of business on 29 April 2016. If approved, this, together with the interim dividend of 2.30p per ordinary share paid on 23 October 2015, will make a total dividend of 6.10p per ordinary share for the year ended 31 December 2015. Further details are disclosed in note 10 to the Financial Statements on page 105.

Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 96 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 16, 23, 24 and 27 to the Financial Statements.

Going concern and Viability Statement

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. Further detail is contained in the Strategic Report on page 47.

Political donations

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

Directors and their interests

John Brown, Jamie Boot, John Sutcliffe, Michael Gunston, James Sykes, Joanne Lake, Peter Mawson and Gerald Jennings held office as Directors of the Company in 2015. From 1 January 2016, and up to the date of signing the Financial Statements, Jamie Boot, John Sutcliffe, James Sykes, Joanne Lake, Peter Mawson, Gerald Jennings and Darren Littlewood held office as Directors of the Company. Their biographical details are shown on page 50.

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 pages 70 and 71.

Between 31 December 2015 and 24 March 2016, being a date not more than one month prior to the date of the Notice of the AGM, there has been a change in the beneficial interest of one Director, John Sutcliffe, who sold 5,000 ordinary shares of 10 pence each in the share capital of the Company on 14 January 2016.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on page 69.

Pension Scheme Trustees

Legislation can lead to pension scheme Trustees being held personally liable. Pension Trustee liability insurance protects pension schemes 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 scheme and its 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 scheme and its Trustees from potential liabilities.

Employment policy and involvement

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 gender, sexual orientation, race, ethnic origin, religion, age, disability or marital/civil partnership status. Every possible effort is made by the Group to retain and support employees who become less able whilst in the employment of the Group. 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.

Employee engagement

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 plays in our ongoing financial and operational success.

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 manager briefings and surveys to engage with our employees.

Employee communications

We utilise our ever evolving Group intranet to disseminate information to all Directors and employees. Regular news items and internal updates are issued on a frequent basis; collaboration and inclusion are encouraged.

Employee share schemes

The Group encourages participation in employee share schemes of the Company to share in the potential growth and any future success of the Group. Details of employee share schemes are set out in note 30 to the Financial Statements.

We were proud for the Company and our employees that our Investors in People accreditation was reconfirmed in January 2015.

Directors' indemnity provisions

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.

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 29.

Greenhouse gas emissions

The greenhouse gas emissions disclosures required by Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included within the Strategic Report on page 31. This information is incorporated by reference into (and shall be deemed to form part of) this report.

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)*	21,307,155	16.14
The Fulmer Charitable Trust**	5,739,580	4.35
Standard Life Investments Limited***	8,074,925	6.11

*Rysaffe Nominees and James Sykes are joint registered holders on behalf of various Reis family trusts and are therefore not included under the beneficial interests of James Sykes set out in the Directors' Remuneration Report.

**The shares of the Fulmer Charitable Trust, a recognised charity, are registered in the names of Mr John Spencer Reis, Mrs Sally Anne Reis and Mrs Caroline Mary Mytum as Trustees.

***Last notified as 4,630,364 (3.507% of issued) direct voting rights and 3,444,561 (2.609% of issued) indirect voting rights.

Directors’ Report continued

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. Details of the Company’s share-based payment arrangements are provided in note 30 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout the whole of 2015 were John Brown, John Sutcliffe and Russell Deards, and from 1 January 2016 are Jamie Boot, John Sutcliffe, Russell Deards and Darren Littlewood, 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. In respect of the financial year of the Company ended on 31 December 2015, the Trust has waived the right to receive from the Company all dividends (if any) in respect of the shares held within the Trust. 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 Strategic Report on pages 6 to 47.

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 reappointing them as auditors (Resolution 11) and authorising the Directors to fix their remuneration (Resolution 12) will be proposed at the AGM.

Accountability and audit

Details of the Directors’ responsibilities and the Statement of Directors’ Responsibilities are contained on page 79. The Independent Auditors’ Report is given on pages 82 to 87.

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 26 May 2016 at 12.30pm. The notice convening the meeting can be found on pages 137 to 141. It is also available at **www.henryboot.co.uk**, where a copy can be viewed and downloaded.

Additional shareholder information

This section sets out details of other matters on which the Directors are required to report annually, but which do not appear elsewhere in this document.

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.

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 24 March 2016, the ordinary shares represent 97.06% of the total issued share capital of the Company by nominal value and the preference shares represent 2.94% 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 137 to 141 includes the following resolutions:

- an ordinary resolution (Resolution 13) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,401,378 representing approximately one-third (33.33%) of the Company’s issued ordinary share capital at 24 March 2016. The authority will expire on 25 August 2017 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 14) 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 nominal value of such allotments does not exceed £660,000 (approximately 5% of the Company’s issued ordinary share capital at 24 March 2016). The authority will expire on 25 August 2017 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 15) to renew the authority of the Company to make market purchases of up to 11,055,000 of its own issued ordinary shares (8.37% of the Company's issued ordinary share capital at 24 March 2016). 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.

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.

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 26 May 2016 are set out in the Notice of AGM on pages 137 to 141.

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.

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 some or all of their shares in certificated form by transfer in writing in any usual form or in any other form which the Board may approve. Uncertificated shares must be transferred by means of a relevant system, such as CREST. 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:

Directors' Report continued

- in respect of only one class of shares;
- 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.

In addition, the Board may refuse to register any transfer of shares which is in favour of (i) a child, bankrupt or person of unsound mind or (ii) more than four transferees.

Repurchase of shares

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

Amendment to the Articles of Association

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

Appointment and replacement of Directors

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three nor more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for reappointment. 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 reappointed at either such AGM and he has not otherwise ceased to be a Director and been reappointed by general meeting of the Company at or since either such AGM. The Company's policy is that all of the Directors should be, and are, subject to annual re-election.

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, Computershare Investor Services PLC or to the Company directly.

Approved by the Board and signed on its behalf by

Russell Deards
Group General Counsel & Company Secretary
22 April 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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, they are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law and have elected to prepare the Parent Company Financial Statements on the same basis. 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 financial year. 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 the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 50 confirm that, to the best of their knowledge:

- the Group Financial Statements, 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.

Approved by the Board and signed on its behalf by

John Sutcliffe
Director
22 April 2016

Darren Littlewood
Director
22 April 2016

Henry Boot

A cohesive, consistent and confident approach to financial management

FINANCIAL STATEMENTS

Contents

Independent Auditors' Report

to the members of Henry Boot PLC

Report on the Financial Statements

Our opinion

In our opinion:

- Henry Boot PLC's Group Financial Statements and Parent Company Financial Statements (the Financial Statements) give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit and the Group's and the 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.

What we have audited

The Financial Statements, included within the Annual Report and Financial Statements (the Annual Report), comprise:

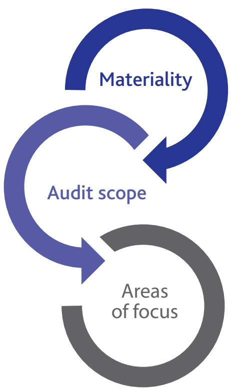
- the Statements of Financial Position as at 31 December 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Statements of Cash Flows for the year then ended;
- the Statements of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the Financial Statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in 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.

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

Our audit approach

Overview



- Overall Group materiality: £2.5million which represents 0.7% of total assets.

- We performed full scope audits at the six largest reporting units.
- A further four reporting units were subject to targeted procedures with work over investment property portfolios at three, and procedures over property, plant and equipment at the remaining unit.
- These reporting units accounted for 92% of total assets.

- Valuation of investment properties.
- Accuracy and valuation of construction contract balances.
- Completeness and accuracy of land development provision.
- Valuation of pension scheme liability.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)).

We designed our audit by determining materiality and assessing the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the Financial Statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of investment properties (£125.3m) (Refer to note 13 of the Financial Statements) We focussed on this area because the Group's investment property assets represent a significant proportion of the assets in the Group Statement of Financial Position. The Group's portfolio includes properties at varying stages of completion across various sectors, including mixed-use, industrial and retail. 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. These include actual and estimated rental values, yields, costs to complete and land values per acre. The Group engages Jones Lang LaSalle to value its completed investment properties in all but the residential sector. The properties valued by Jones Lang LaSalle are valued by applying market-derived capitalisation yields to actual or market-derived rental income specific to each property. Investment properties in the course of construction are valued by management using the residual method of valuation. This involves estimating the gross development value of the property and deducting from this the gross development costs to be incurred and an allowance for anticipated development profits yet to be earned. For all classes of investment property, a relatively small percentage change in valuations of individual properties, in aggregate, could result in a material impact to the Financial Statements.	**Regarding the completed investment properties valued by the external valuer:** We tested the underlying data used by the external valuer by agreeing a sample of lettings to our work on rental revenue. This included agreeing rents and other significant contract terms to legal agreements. For each property, we compared the changes in the yields and capital values since the prior year to an expectation based upon industry-specific indices. We also considered the movements in the assumptions in the light of our existing understanding of the Group's portfolio and activities in the year. As a result we identified certain properties where we felt the movements in the yields or capital values warranted further discussion. We held a meeting with management and their external valuers at which we challenged the assumptions used in these valuations by reference to externally published benchmarks. We corroborated the explanations received by reference to the results of our audit procedures in other areas such as rental revenue testing, and by further review of legal documentation and correspondence where necessary. Whilst we identified that for certain properties an alternative yield assumption may be taken, no material adjustments were identified. **Regarding the remaining properties valued by management:** We selected a sample of valuations of investment property in the course of construction for testing based on value. We reperformed the calculations provided by management, for which the significant assumptions were expected rental values, forecast yields and costs to complete. We corroborated these assumptions by reference to legal agreements, published indices, subcontractor quotes and completion statements. No material adjustments were identified as a result of our testing.

Independent Auditors' Report continued

to the members of Henry Boot PLC

Area of focus	How our audit addressed the area of focus
Accuracy and valuation of construction contract balances (Refer to note 19 of the Financial Statements) We focussed on this area because of the judgements involved in estimating the stage of completion of construction contract activity and assessing costs to complete. This in turn means the assessment of anticipated profits or losses on individual contracts is judgemental. The Group undertakes a number of significant construction contracts and a relatively small change in the judgements applied, such as whether a provision for remedial works is required based on an assessment of risk and magnitude relating to the identified issue, could result in a material misstatement to the Financial Statements.	We evaluated management's revenue and profit recognition on a sample of contracts that we selected based on factors such as risk and magnitude and found that it was consistent with the supporting evidence obtained. Our work over a sample of contracts included the following: • Meeting with in-house quantity surveyors to understand the status of contract work and to understand how the cost to complete had been calculated; • Agreeing key contract details to legal documentation; • Using computer assisted audit techniques to verify the occurrence of all revenue billed during the year through agreeing amounts certified by third parties to accounts receivable and cash; • We also checked customer acceptance of the work undertaken, considering the implications of any ongoing disputes which included discussions with the Group legal department; • Assessing cost to complete schedules for reasonableness, primarily by looking at historical budgeting accuracy; and • We tested a sample of accruals for contract work undertaken by agreeing them to supporting documentation, including subcontractor applications for payment and invoices. We tested a sample of provisions for contract work not yet undertaken to reports prepared by in-house quantity surveyors, correspondence with any claimants and testing the outturn on similar amounts previously provided for, and found no material issues. We also assessed management's overall profit recognition methodology, including a sample assessment of the accuracy of revenue and profit forecasts from prior years. This highlighted that management's forecasting ability was materially consistent with the actual outcomes.
Completeness and accuracy of land development provision (£8.2m) (Refer to note 26 of the Financial Statements) In certain limited circumstances, the Group retains obligations to provide infrastructure and service works in relation to land that it has previously sold. The estimation of the cost of meeting these obligations and of the likely timing of the works is subject to some uncertainty as the sites affected are very large and the associated works take place over a number of years.	We tested the costs to complete included in the provision by agreeing to projections from management's external cost consultants. This also included agreeing the estimated timing of cash flows to these same projections. We considered the historic accuracy of the Group's forecast costs to complete by comparing these forecasts with actual costs incurred to date. We reconciled the movement in the provision between December 2014 and December 2015 and discussed the largest movements, by value, with management to ensure we understood the rationale for them. We corroborated the explanations received by reference to external correspondence. We also selected a sample of actual infrastructure costs incurred in the year and agreed them to supplier invoice or completion certificate. We considered the narrative on the supporting documentation reviewed in each case to establish whether the cost had been allocated against the correct element of the brought forward provision (and therefore whether it was correct that the provision had reduced). No material adjustments were identified as a result of the procedures we performed in this area.

Area of focus	How our audit addressed the area of focus
Valuation of pension scheme liability (£19.6m) (Refer to note 27 of the Financial Statements) The Group has a defined benefit pension scheme net liability which is significant in the context of both the overall balance sheet and the results of the Group. The Group uses an independent actuary to value the pension scheme under IAS 19. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including salaries increase, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. The values of the pension scheme's investments at 31 December 2015 are provided by the scheme's investment managers.	We obtained the actuary's report and with the assistance of our pension specialists agreed the discount and inflation rates used in the valuation of the pension liability to our internally developed benchmarks, which are based on externally available data. We confirmed that these assumptions were within our expected range. We compared the demographic assumptions to national and industry averages and were satisfied that these were reasonable. We also compared the assumptions with those used in previous years, and found that the methodology used in arriving at the assumptions year on year was consistent. We obtained direct confirmation of the year end asset valuations from the scheme's investment managers, and verified that the correct valuation had been used by management.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 37 reporting units within these three business lines and the Group's centralised functions.

Of the Group's 37 reporting units, we identified six 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 three reporting units in respect of their investment property portfolios, and at one reporting unit in respect of its property, plant and equipment. 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.

All work was performed by the Group audit team.

The reporting units where we performed audit work accounted for 92% of total assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

Overall Group materiality	£2.5m (2014: £2.0m).
How we determined it	0.7% of total assets.
Rationale for benchmark applied	The key objective of the Group is to increase long-term shareholder value by maximising the value of assets such as inventory and investment properties. In determining the benchmark we also had regard to the profitability of the Group to ensure that sufficient consideration was given to trading activities. This methodology is consistent with that applied in the prior year.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £125,000 (2014: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 47, in relation to going concern. We have nothing to report having performed our review.

Independent Auditors' Report continued

to the members of Henry Boot PLC

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements. 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 Parent Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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.

ISAs (UK & Ireland) reporting

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 — otherwise misleading.	We have no exceptions to report
• the statement given by the Directors on page 79, in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), 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 and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit.	We have no exceptions to report
• the section of the Annual Report on page 62, as required by provision C.3.8 of the Code, 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

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on page 47 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to
• the Directors' explanation on page 47 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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

Directors' Remuneration Report — Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not 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 ten further provisions of the Code. We have nothing to report having performed our review.

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, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and 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 Parent 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.

What an audit of Financial Statements involves

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the Financial Statements .

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
22 April 2016

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue	1	**176,186**	147,200
Cost of sales		**(122,855)**	(103,512)
Gross profit		**53,331**	43,688
Other income	1	**36**	283
Administrative expenses		**(17,235)**	(15,153)
Pension expenses	4	**(3,689)**	(3,213)
		32,443	25,605
(Decrease)/increase in fair value of investment properties	13	**(2,009)**	1,950
Profit on sale of investment properties		**747**	284
Profit on sale of assets held for sale		**485**	122
Operating profit	3	**31,666**	27,961
Finance income	5	**1,438**	714
Finance costs	6	**(1,617)**	(1,550)
Share of profit of joint ventures	15	**923**	1,187
Profit before tax		**32,410**	28,312
Tax	7	**(7,460)**	(4,810)
Profit for the year from continuing operations		**24,950**	23,502
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	**100**	—
Deferred tax on property revaluations	17	**509**	—
Actuarial gain/(loss) on defined benefit pension scheme	27	**6,002**	(10,458)
Deferred tax on actuarial (gain)/loss	17	**(1,439)**	2,092
Movement in fair value of cash flow hedge	25	**16**	85
Deferred tax on cash flow hedge	17	**(4)**	(17)
Total other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years		**5,184**	(8,298)
Total comprehensive income for the year		**30,134**	15,204
Profit for the year attributable to:			
Owners of the Parent Company		**23,041**	21,169
Non-controlling interests		**1,909**	2,333
		24,950	23,502
Total comprehensive income attributable to:			
Owners of the Parent Company		**28,219**	12,845
Non-controlling interests		**1,915**	2,359
		30,134	15,204
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**17.5p**	16.2p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**17.3p**	15.9p

Statements of Financial Position

as at 31 December 2015

	Note	Group 2015 £'000	Group 2014 £'000	Parent Company 2015 £'000	Parent Company 2014 £'000
Assets					
Non-current assets					
Intangible assets	11	**5,757**	6,733	**—**	—
Property, plant and equipment	12	**20,984**	19,086	**168**	137
Investment properties	13	**125,311**	141,560	**—**	—
Investments	14	**—**	—	**3,021**	3,809
Investment in joint ventures and associates	15	**3,790**	1,367	**—**	—
Trade and other receivables	16	**10,507**	4,837	**—**	—
Deferred tax assets	17	**4,323**	7,123	**3,772**	5,919
		170,672	180,706	**6,961**	9,865
Current assets					
Inventories	18	**138,941**	117,457	**—**	—
Trade and other receivables	16	**54,448**	50,065	**197,711**	194,202
Cash and cash equivalents		**12,041**	4,347	**10,135**	1,917
		205,430	171,869	**207,846**	196,119
Assets classified as held for sale	20	**—**	260	**—**	—
		205,430	172,129	**207,846**	196,119
Liabilities					
Current liabilities					
Trade and other payables	21	**64,384**	68,833	**82,600**	82,218
Current tax liabilities		**3,636**	1,976	**3,600**	1,100
Borrowings	24	**42,836**	31,969	**40,478**	30,642
Provisions	26	**5,749**	4,322	**—**	—
		116,605	107,100	**126,678**	113,960
Net current assets		**88,825**	65,029	**81,168**	82,159
Non-current liabilities					
Trade and other payables	21	**6,639**	3,139	**—**	—
Borrowings	24	**8,137**	8,779	**—**	—
Retirement benefit obligations	27	**19,577**	28,158	**19,577**	28,158
Provisions	26	**3,595**	5,185	**—**	—
		37,948	45,261	**19,577**	28,158
Net assets		**221,549**	200,474	**68,552**	63,866
Equity					
Share capital	30	**13,604**	13,592	**13,604**	13,592
Property revaluation reserve	31	**3,964**	3,355	**—**	—
Retained earnings	31	**197,895**	177,664	**49,608**	45,256
Other reserves	31	**4,548**	4,425	**5,685**	5,568
Cost of shares held by ESOP trust	32	**(345)**	(550)	**(345)**	(550)
Equity attributable to owners of the Parent Company		**219,666**	198,486	**68,552**	63,866
Non-controlling interests		**1,883**	1,988	**—**	—
Total equity		**221,549**	200,474	**68,552**	63,866

The Financial Statements on pages 88 to 133 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 22 April 2016.

On behalf of the Board

J T Sutcliffe
Director

D L Littlewood
Director

Statements of Changes in Equity

for the year ended 31 December 2015

		Attributable to owners of the Parent Company							
Group	Note	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2014		13,510	3,355	171,938	3,566	(188)	192,181	1,303	193,484
Profit for the year	31	—	—	21,169	—	—	21,169	2,333	23,502
Other comprehensive income		—	—	(8,366)	42	—	(8,324)	26	(8,298)
Total comprehensive income		—	—	12,803	42	—	12,845	2,359	15,204
Equity dividends	10	—	—	(6,886)	—	—	(6,886)	(1,674)	(8,560)
Proceeds from shares issued		82	—	—	817	—	899	—	899
Proceeds on disposal of treasury shares	32	—	—	—	—	34	34	—	34
Purchase of treasury shares	32	—	—	—	—	(1,010)	(1,010)	—	(1,010)
Share-based payments	31, 32	—	—	(191)	—	614	423	—	423
		82	—	(7,077)	817	(362)	(6,540)	(1,674)	(8,214)
At 31 December 2014		13,592	3,355	177,664	4,425	(550)	198,486	1,988	200,474
Profit for the year	31	**—**	**—**	**23,041**	**—**	**—**	**23,041**	**1,909**	**24,950**
Other comprehensive income		**—**	**609**	**4,563**	**6**	**—**	**5,178**	**6**	**5,184**
Total comprehensive income		**—**	**609**	**27,604**	**6**	**—**	**28,219**	**1,915**	**30,134**
Equity dividends	10	**—**	**—**	**(7,664)**	**—**	**—**	**(7,664)**	**(2,020)**	**(9,684)**
Proceeds from shares issued		**12**	**—**	**—**	**117**	**—**	**129**	**—**	**129**
Proceeds on disposal of treasury shares	32	**—**	**—**	**—**	**—**	**4**	**4**	**—**	**4**
Share-based payments	31, 32	**—**	**—**	**291**	**—**	**201**	**492**	**—**	**492**
		12	**—**	**(7,373)**	**117**	**205**	**(7,039)**	**(2,020)**	**(9,059)**
At 31 December 2015		**13,604**	**3,964**	**197,895**	**4,548**	**(345)**	**219,666**	**1,883**	**221,549**

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 2014		13,510	52,299	4,751	(188)	70,372
Profit for the year	8	—	8,541	—	—	8,541
Other comprehensive income		—	(8,366)	—	—	(8,366)
Total comprehensive income		—	175	—	—	175
Equity dividends	10	—	(6,886)	—	—	(6,886)
Proceeds from shares issued		82	—	817	—	899
Proceeds on disposal of treasury shares	32	—	—	—	34	34
Purchase of treasury shares	32	—	—	—	(1,010)	(1,010)
Share-based payments	31	—	(332)	—	614	282
		82	(7,218)	817	(362)	(6,681)
At 31 December 2014		13,592	45,256	5,568	(550)	63,866
Profit for the year	8	**—**	**7,357**	**—**	**—**	**7,357**
Other comprehensive income		**—**	**4,563**	**—**	**—**	**4,563**
Total comprehensive income		**—**	**11,920**	**—**	**—**	**11,920**
Equity dividends	10	**—**	**(7,664)**	**—**	**—**	**(7,664)**
Proceeds from shares issued		**12**	**—**	**117**	**—**	**129**
Proceeds on disposal of treasury shares	32	**—**	**—**	**—**	**4**	**4**
Share-based payments	31	**—**	**96**	**—**	**201**	**297**
		12	**(7,568)**	**117**	**205**	**(7,234)**
At 31 December 2015		**13,604**	**49,608**	**5,685**	**(345)**	**68,552**

Statements of Cash Flows

for the year ended 31 December 2015

	Note	Group 2015 £'000	Group 2014 £'000	Parent Company 2015 £'000	Parent Company 2014 £'000
Cash flows from operating activities					
Cash generated from/(used by) operations	33	**5,208**	14,857	**(6,321)**	2,527
Interest paid		**(1,074)**	(1,172)	**(3,366)**	(3,437)
Tax paid		**(3,934)**	(4,975)	**(2,501)**	(3,502)
Net cash flows from operating activities		**200**	8,710	**(12,188)**	(4,412)
Cash flows from investing activities					
Purchase of intangible assets	11	**(420)**	(97)	**—**	—
Purchase of property, plant and equipment	12	**(1,731)**	(1,704)	**(107)**	(96)
Purchase of investment property	13	**(13,561)**	(15,649)	**—**	—
Purchase of investments in associates	15	**(1,500)**	—	**—**	—
Proceeds on disposal of property, plant and equipment		**325**	222	**—**	11
Proceeds on disposal of investment properties		**7,791**	4,362	**—**	—
Proceeds on disposal of assets held for sale		**15,275**	12,233	**—**	—
Interest received		**701**	336	**8,109**	8,055
Dividends received from subsidiaries		**—**	—	**10,099**	7,800
Net cash flows from investing activities		**6,880**	(297)	**18,101**	15,770
Cash flows from financing activities					
Proceeds from shares issued		**129**	899	**129**	899
Purchase of treasury shares	32	**—**	(1,010)	**—**	(1,010)
Proceeds on disposal of treasury shares		**4**	34	**4**	34
Decrease in borrowings		**(65,408)**	(40,564)	**(64,226)**	(39,000)
Increase in borrowings		**75,571**	29,548	**74,226**	24,000
Dividends paid – ordinary shares	10	**(7,643)**	(6,865)	**(7,643)**	(6,865)
– non-controlling interests		**(2,020)**	(1,674)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**612**	(19,653)	**2,469**	(21,963)
Net increase/(decrease) in cash and cash equivalents		**7,692**	(11,240)	**8,382**	(10,605)
Net cash and cash equivalents at beginning of year		**4,347**	15,587	**1,275**	11,880
Net cash and cash equivalents at end of year		**12,039**	4,347	**9,657**	1,275
Analysis of net debt:					
Cash and cash equivalents		**12,041**	4,347	**10,135**	1,917
Bank overdrafts	24	**(2)**	—	**(478)**	(642)
Net cash and cash equivalents		**12,039**	4,347	**9,657**	1,275
Bank loans	24	**(42,389)**	(33,096)	**(40,000)**	(30,000)
Government loans	24	**(8,582)**	(7,652)	**—**	—
Net debt		**(38,932)**	(36,401)	**(30,343)**	(28,725)

Principal Accounting Policies

for the year ended 31 December 2015

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. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the Accounting Policies used in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or 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 Strategic Report on page 47.

Joint ventures and associates

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

Business combinations and goodwill

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

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Subsequent changes in fair value of contingent consideration classified as 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.

Principal Accounting Policies

for the year ended 31 December 2015

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 remeasured 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 derecognised when they are disposed of 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'.

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 12.5% and 50%
- vehicles – between 10% and 25%
- office equipment – between 25% and 33%

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

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

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

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

Net realisable value is considered in the light of progress made in the planning process, feedback from local planning officers, development appraisals and other external factors that might be considered likely to influence the eventual outcome. Where it is considered that no future economic benefit will arise, costs are written off to the 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 into account any market performance conditions and excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30. At each reporting period date, the Group estimates the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity reserves.

Overview
Strategic Report
Governance
Financial Statements
Shareholder Information

Principal Accounting Policies

for the year ended 31 December 2015

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 substantively enacted by the reporting date.

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

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

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

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

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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.

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 98). 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 98);
- borrowings - see on next page; and
- derivatives - see on next page.

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 remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation 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.

Principal Accounting Policies

for the year ended 31 December 2015

The Group regularly reviews its contract obligations and whether they are considered to be onerous. In the event that the costs of meeting the obligations exceed the economic benefits expected to be received through the life of the development, a provision would be recognised based on discounted cash flows to the end of the contract, to the extent of the costs exceeding the economic benefits.

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

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

Specific details of the Group's provisions relating to land development and road maintenance can be found in note 26 on page 122.

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.

Dividends

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

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

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

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 93 and 95 and each is interpreted by management in the light of IAS 18 'Revenue', IAS 11 'Construction Contracts' and IAS 2 'Inventories'.

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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 year ended 31 December 2015:

		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
IAS 19 (amended 2013)	'Defined Benefit Plans: Employee Contributions'	1 July 2014#

Mandatory for annual periods beginning on or after 1 February 2015.

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.

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 2014)	'Annual Improvements to IFRSs 2012–2014 Cycle'	1 January 2016
IAS 1 (amended 2014)	'Disclosure Initiative'	1 January 2016
IAS 16 and IAS 38 (amended 2014)	'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
IAS 16 and IAS 41 (amended 2014)	'Bearer Plants'	1 January 2016
IAS 27 (amended 2014)	'Equity Method in Separate Financial Statements'	1 January 2016
IFRS 9 (issued 2014)	'Financial Instruments'	1 January 2018*
IFRS 10, IFRS 12 and IAS 28 (amended 2014)	'Investment Entities: Applying the Consolidation Exception'	1 January 2016*
IFRS 10 and IAS 28 (amended 2014)	'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	Postponed
IFRS 11 (amended 2014)	'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016
IFRS 14 (issued 2014)	'Regulatory Deferral Accounts'	1 January 2016*
IFRS 15 (issued 2014)	'Revenue from Contracts with Customers'	1 January 2018*
IFRS 16 (issued 2016)	'Leases'	1 January 2019*

* Not yet endorsed by the EU.

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

In 2015, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

Notes to the Financial Statements

for the year ended 31 December 2015

1. Revenue

Analysis of the Group's revenue is as follows:

Activity in the United Kingdom	2015 £'000	2014 £'000
Revenue from construction contracts	**60,763**	65,819
Property development	**37,079**	11,736
Land development	**46,572**	38,894
PFI concession income	**11,126**	11,306
Plant and equipment hire	**12,292**	11,281
Investment property rental income	**8,216**	8,026
Other rental income	**138**	138
	176,186	147,200
Other income	**36**	283
	176,222	147,483

Contingent rents recognised as income during the year amount to £449,000 (2014: £498,000).

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.

Revenue for the year, and the prior year, was 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 92 to 99.

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.

2. Segment information continued

	2015					
Revenue	**Property investment and development £'000**	**Land development £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	49,939	46,706	79,541	—	—	176,186
Inter-segment sales	320	—	11,076	643	(12,039)	—
Total revenue	50,259	46,706	90,617	643	(12,039)	176,186
Operating profit/(loss)	7,346	20,039	8,930	(4,649)	—	31,666
Finance income	2,135	666	1,394	18,168	(20,925)	1,438
Finance costs	(6,916)	(1,637)	(422)	(3,391)	10,749	(1,617)
Share of profit of joint ventures	923	—	—	—	—	923
Profit/(loss) before tax	3,488	19,068	9,902	10,128	(10,176)	32,410
Tax	(1,583)	(3,864)	(2,108)	98	(3)	(7,460)
Profit/(loss) for the year	1,905	15,204	7,794	10,226	(10,179)	24,950
Other information						
Capital additions	13,625	13	4,871	1,032	—	19,541
Depreciation	183	13	2,842	599	—	3,637
Impairment	(10)	—	203	—	—	193
Amortisation	52	—	1,193	—	—	1,245
Decrease in fair value of investment properties	2,009	—	—	—	—	2,009
Provisions	—	1,785	1,033	—	—	2,818
Pension scheme credit	—	—	—	(2,579)	—	(2,579)

	2014					
Revenue	Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	25,807	39,032	82,361	—	—	147,200
Inter-segment sales	306	—	5,966	681	(6,953)	—
Total revenue	26,113	39,032	88,327	681	(6,953)	147,200
Operating profit/(loss)	8,740	14,100	9,232	(4,111)	—	27,961
Finance income	1,487	511	1,419	15,808	(18,511)	714
Finance costs	(6,800)	(1,518)	(536)	(3,382)	10,686	(1,550)
Share of profit of joint ventures	1,187	—	—	—	—	1,187
Profit/(loss) before tax	4,614	13,093	10,115	8,315	(7,825)	28,312
Tax	254	(2,784)	(2,122)	(158)	—	(4,810)
Profit/(loss) for the year	4,868	10,309	7,993	8,157	(7,825)	23,502
Other information						
Capital additions	16,083	18	4,274	745	—	21,120
Depreciation	129	16	2,583	571	—	3,299
Impairment	—	—	203	—	—	203
Amortisation	94	—	1,155	—	—	1,249
Increase in fair value of investment properties	(1,950)	—	—	—	—	(1,950)
Provisions	—	729	882	—	—	1,611
Pension scheme credit	—	—	—	(2,375)	—	(2,375)

Notes to the Financial Statements continued

for the year ended 31 December 2015

2. Segment information continued

	2015 £'000	2014 £'000
Segment assets		
Property Investment and Development	193,445	190,921
Land Development	136,491	117,599
Construction	27,013	30,918
Group overheads	2,789	1,926
	359,738	341,364
Unallocated assets		
Deferred tax assets	4,323	7,123
Cash and cash equivalents	12,041	4,347
Total assets	376,102	352,834
Segment liabilities		
Property Investment and Development	19,334	14,526
Land Development	20,865	18,955
Construction	37,217	45,487
Group overheads	2,951	2,510
	80,367	81,478
Unallocated liabilities		
Current tax liabilities	3,636	1,976
Current borrowings	42,836	31,969
Non-current borrowings	8,137	8,779
Retirement benefit obligations	19,577	28,158
Total liabilities	154,553	152,360
Total net assets	221,549	200,474

3. Operating profit

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

	2015 £'000	2014 £'000
Depreciation of property, plant and equipment	3,637	3,299
Impairment of goodwill included in administrative expenses	203	203
Impairment of land and buildings included in administrative expenses	(10)	—
Amortisation of PFI asset included in cost of sales	1,193	1,155
Amortisation of capitalised letting fees	52	94
Gain on sale of assets held for sale	(485)	(122)
Impairment losses recognised on trade receivables included in cost of sales	112	33
Impairment losses recognised on trade receivables included in administrative expenses	6	30
Property rentals under operating leases	276	239
Decrease/(increase) in fair value of investment property	2,009	(1,950)
Cost of inventories recognised as expense	50,332	27,366
Employee costs	25,208	24,959
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	5	—
Amounts payable to Deloitte LLP by Road Link (A69) Limited in respect of audit services	—	9
Profit on sale of property, plant and equipment	(296)	(459)

3. Operating profit continued

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

	2015 £'000	2014 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	**90**	86
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**101**	88
Total audit fees	**191**	174
Tax compliance services	**49**	43
Tax advisory services	**20**	21
Other services	**10**	37
Total non-audit fees	**79**	101
Total fees	**270**	275

In addition, fees of £8,800 (2014: £8,800) were paid to BDO LLP in their capacity as auditors of The Henry Boot Staff Pension and Life Assurance Scheme.

4. Employee costs

	2015 £'000	2014 £'000
Wages and salaries	**18,554**	18,855
Share-based payment expense	**492**	423
Social security costs	**2,122**	2,136
Defined benefit pension costs (see note 27)	**2,697**	2,433
Defined contribution pension costs (see note 27)	**919**	694
Other pension costs	**73**	86
	24,857	24,627

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

	2015 Number	2014 Number
Property Investment and Development	**59**	49
Land Development	**33**	31
Construction	**175**	214
Plant hire	**115**	113
Group overheads	**52**	52
	434	459

5. Finance income

	2015 £'000	2014 £'000
Interest on bank deposits	**78**	21
Interest on other loans and receivables	**1,215**	499
Fair value adjustments on trade receivables	**145**	194
	1,438	714

Notes to the Financial Statements continued

for the year ended 31 December 2015

6. Finance costs

	2015 £'000	2014 £'000
Interest on bank loans and overdrafts	**1,087**	1,127
Interest on other loans and payables	**155**	65
Fair value adjustments on trade payables	**310**	288
Fair value adjustments on borrowings	**59**	64
Provisions: unwinding of discount (note 26)	**6**	6
	1,617	1,550

7. Tax

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax on profits for the year	**5,721**	4,607
Adjustments in respect of earlier years	**(127)**	(160)
Total current tax	**5,594**	4,447
Deferred tax (note 17):		
Origination and reversal of temporary differences	**1,512**	623
Adjustments in respect of earlier years	**—**	(260)
Adjustments in respect of change in UK corporation tax rate	**354**	—
Total deferred tax	**1,866**	363
Total tax	**7,460**	4,810

Corporation tax is calculated at 20.25% (2014: 21.49%) of the estimated assessable profit for the year.

As a result of the change in the UK corporation tax rate from 20% to 19% effective from 1 April 2017 and from 19% to 18% effective from 1 April 2020, both of which were substantively enacted on 26 October 2015, deferred tax balances at the year end have been measured at 20% and 18% (2014: 20%) being the rate at which timing differences are expected to reverse.

Subsequently, a further reduction to the UK corporation tax rate has been announced reducing the rate to 17% from 1 April 2020. The change had not been substantively enacted at the Statement of Financial Position date and, therefore, is not recognised in these Financial Statements. The impact of this change on the deferred tax position of the Group is not expected to be material.

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

	2015 £'000	2014 £'000
Profit before tax	**32,410**	28,312

	2015 %	2014 %
Tax at the UK corporation tax rate	**20.25**	21.49
Effects of:		
Permanent differences	**(0.22)**	(2.42)
Short-term timing differences	**—**	(0.61)
Tax losses for which no deferred tax asset is recognised	**2.86**	—
Adjustment in respect of earlier years	**(0.39)**	(0.57)
Adjustment in respect of change in UK corporation tax rate	**1.09**	—
Joint venture results reported net of tax	**(0.58)**	(0.90)
Effective tax rate	**23.01**	16.99

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

	2015 £'000	2014 £'000
Deferred tax:		
– property revaluations	**509**	—
– actuarial (gain)/loss	**(1,439)**	2,092
– cash flow hedge	**(4)**	(17)
Total tax recognised in other comprehensive income	**(934)**	2,075

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 22 April 2016 is £7,357,000 (2014: £8,541,000) and includes dividends received from subsidiaries of £10,099,000 (2014: £7,800,000).

9. Earnings per ordinary share

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

	2015 £'000	2014 £'000
Profit for the year	**24,950**	23,502
Non-controlling interests	**(1,909)**	(2,333)
Preference dividend	**(21)**	(21)
	23,020	21,148

Number of shares	2015	2014
Weighted average number of shares in issue	**132,009,797**	131,225,343
Less shares held by the ESOP on which dividends have been waived	**(177,320)**	(283,175)
Weighted average number for basic earnings per share	**131,832,477**	130,942,168
Adjustment for the effects of dilutive potential ordinary shares	**1,231,952**	1,723,493
Weighted average number for diluted earnings per share	**133,064,429**	132,665,661

10. Dividends

	2015 £'000	2014 £'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 2014 of 3.50p per share (2013: 3.15p)	**4,610**	4,115
Interim dividend for the year ended 31 December 2015 of 2.30p per share (2014: 2.10p)	**3,033**	2,750
	7,664	6,886

The proposed final dividend for the year ended 31 December 2015 of 3.80p per share (2014: 3.50p) makes a total dividend for the year of 6.10p (2014: 5.60p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £5,011,000.

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

Dividends paid to non-controlling interests during the year amounted to £2,020,000 (2014: £1,674,000).

Notes to the Financial Statements continued

for the year ended 31 December 2015

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2014	4,070	16,047	20,117
Additions at cost	—	97	97
Disposals	—	(10)	(10)
At 31 December 2014	4,070	16,134	20,204
Additions at cost	**—**	**420**	**420**
At 31 December 2015	**4,070**	**16,554**	**20,624**
Accumulated impairment losses and amortisation			
At 1 January 2014	1,900	10,223	12,123
Amortisation	—	1,155	1,155
Impairment losses for the year	203	—	203
Eliminated on disposals	—	(10)	(10)
At 31 December 2014	2,103	11,368	13,471
Amortisation	**—**	**1,193**	**1,193**
Impairment losses for the year	**203**	**—**	**203**
At 31 December 2015	**2,306**	**12,561**	**14,867**
Carrying amount			
At 31 December 2015	**1,764**	**3,993**	**5,757**
At 31 December 2014	1,967	4,766	6,733
At 1 January 2014	2,170	5,824	7,994

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 ten 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 (2014: £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 £nil (2014: £581,000); 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 2014	7,187	25,918	4,601	2,192	39,898
Additions at cost	—	3,670	1,018	686	5,374
Disposals	—	(2,098)	(725)	(328)	(3,151)
At 31 December 2014	7,187	27,490	4,894	2,550	42,121
Additions at cost	**—**	**4,057**	**1,203**	**528**	**5,788**
Disposals	**—**	**(1,011)**	**(1,141)**	**(1)**	**(2,153)**
Increase in fair value in year	**100**	**—**	**—**	**—**	**100**
At 31 December 2015	**7,287**	**30,536**	**4,956**	**3,077**	**45,856**
Being:					
Cost	**—**	**30,536**	**4,956**	**3,077**	**38,569**
Fair value at 31 December 2015	**7,287**	**—**	**—**	**—**	**7,287**
	7,287	**30,536**	**4,956**	**3,077**	**45,856**
Accumulated depreciation and impairment					
At 1 January 2014	412	17,945	2,495	1,692	22,544
Charge for year	—	2,360	691	248	3,299
Eliminated on disposals	—	(1,882)	(607)	(319)	(2,808)
At 31 December 2014	412	18,423	2,579	1,621	23,035
Charge for year	**—**	**2,562**	**712**	**363**	**3,637**
Eliminated on disposals	**—**	**(875)**	**(914)**	**(1)**	**(1,790)**
Eliminated on revaluation	**(10)**	**—**	**—**	**—**	**(10)**
At 31 December 2015	**402**	**20,110**	**2,377**	**1,983**	**24,872**
Carrying amount					
At 31 December 2015	**6,885**	**10,426**	**2,579**	**1,094**	**20,984**
At 31 December 2014	6,775	9,067	2,315	929	19,086
At 1 January 2014	6,775	7,973	2,106	500	17,354

At 31 December 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £3,521,000 (2014: £2,713,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2015 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 £6,885,000 (2014: £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 £2,869,000 (2014: £2,859,000).

Notes to the Financial Statements continued

for the year ended 31 December 2015

12. Property, plant and equipment continued

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2015 £'000**	2014 £'000	Increase/ (decrease) in fair value in year
Freehold land	—	—	60	**60**	60	**–**
Buildings	—	—	6,825	**6,825**	6,715	**110**
Total fair value	—	—	6,885	**6,885**	6,775	**110**

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

Explanation of the fair value hierarchy:

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

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

Class		Buildings
Valuation technique		Yield
Rental value per sq ft (£)	– weighted average	5.72
	– low	2.34
	– high	12.51
Yield %	– weighted average	8.43
	– low	7.02
	– high	10.31

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%	398
Rental value per sq ft – increase by £1 average	1,115

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.

12. Property, plant and equipment continued

Parent Company	Vehicles £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2014	24	725	749
Additions	—	96	96
Disposals	(24)	(139)	(163)
At 31 December 2014	—	682	682
Additions	**—**	**107**	**107**
Disposals	**—**	**—**	**—**
At 31 December 2015	**—**	**789**	**789**
Depreciation			
At 1 January 2014	24	631	655
Charge for year	—	50	50
Disposals	(24)	(136)	(160)
At 31 December 2014	—	545	545
Charge for year	**—**	**76**	**76**
Disposals	**—**	**—**	**—**
At 31 December 2015	**—**	**621**	**621**
Carrying amount			
At 31 December 2015	**—**	**168**	**168**
At 31 December 2014	—	137	137
At 1 January 2014	—	94	94

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:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2015 £'000**	2014 £'000	**Increase/ (decrease) in fair value in year**
Completed investment property						
Industrial	—	—	12,770	**12,770**	14,013	**(1,243)**
Leisure	—	—	7,704	**7,704**	7,276	**428**
Mixed-use	—	—	58,993	**58,993**	56,877	**2,116**
Residential	—	—	4,313	**4,313**	3,891	**422**
Retail	—	—	19,914	**19,914**	17,060	**2,854**
	—	—	103,694	**103,694**	99,117	**4,577**
Investment property under construction						
Industrial	—	—	518	**518**	9,344	**(8,826)**
Land	—	—	2,112	**2,112**	6,248	**(4,136)**
Leisure	—	—	—	**—**	1,833	**(1,833)**
Office	—	—	4,500	**4,500**	4,283	**217**
Retail	—	—	14,487	**14,487**	20,735	**(6,248)**
	—	—	21,617	**21,617**	42,443	**(20,826)**
Total fair value	—	—	125,311	**125,311**	141,560	**(16,249)**

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

Notes to the Financial Statements continued

for the year ended 31 December 2015

13. Investment properties continued

Explanation of the fair value hierarchy:

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

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

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

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

Completed investment property

Class **Fair value hierarchy**	Industrial Level 3 £'000	Leisure Level 3 £'000	Mixed-use Level 3 £'000	Residential Level 3 £'000	Retail Level 3 £'000	**2015** **£'000**	2014 £'000
Fair value							
At 1 January	14,013	7,276	56,877	3,891	17,060	**99,117**	90,527
Subsequent expenditure on investment property	113	43	670	—	776	**1,602**	5,107
Capitalised letting fees	8	2	55	—	26	**91**	118
Amortisation of capitalised letting fees	(1)	(7)	(26)	—	(11)	**(45)**	(76)
Disposals	—	—	(1,871)	(8)	—	**(1,879)**	(1,507)
Transfers to assets held for sale	(1,351)	—	—	—	—	**(1,351)**	(260)
Transfer to inventories	—	—	—	(504)	—	**(504)**	(998)
Transfers from investment property under construction	—	—	5,515	—	1,777	**7,292**	1,404
Increase/(decrease) in fair value in year	(12)	390	(2,227)	934	286	**(629)**	4,802
At 31 December	**12,770**	**7,704**	**58,993**	**4,313**	**19,914**	**103,694**	99,117
Adjustment in respect of tenant incentives	—	276	1,762	—	533	**2,571**	2,496
Adjustment in respect of tax benefits	—	—	—	—	—	**—**	(642)
Market value at 31 December	**12,770**	**7,980**	**60,755**	**4,313**	**20,447**	**106,265**	100,971

13. Investment properties continued

There is no actively traded market for the Group's commercial property and as such the adopted valuation is completed using the professional judgement of the Group's professional valuers, who use the yield method to determine fair value. The calculation of the capital value of a property under this method uses a yield to multiple against the rental income stream with due allowance for a fixed assumed 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 2015 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 £101,952,000 (2014: £97,080,000). 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 2015 has been determined by the Directors of the Company at £4,313,000 (2014: £3,891,000). 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):

		2015				
Class		**Industrial**	**Leisure**	**Mixed-use**	**Residential**	**Retail**
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield
Rental value per sq ft (£)	– weighted average	**4.53**	**16.17**	**13.07**	**—**	**7.70**
	– low	**4.53**	**2.50**	**1.83**	**—**	**2.47**
	– high	**4.53**	**40.86**	**58.39**	**—**	**28.50**
Yield %	– weighted average	**6.60**	**5.89**	**7.93**	**—**	**5.44**
	– low	**6.60**	**5.22**	**6.00**	**—**	**4.36**
	– high	**6.60**	**9.82**	**18.71**	**—**	**11.51**
% discount applied to houses held under assured tenancies		**—**	**—**	**—**	**25.00**	**—**

		2014				
Class		Industrial	Leisure	Mixed-use	Residential	Retail
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield
Rental value per sq ft (£)	– weighted average	4.58	21.42	13.49	—	11.13
	– low	4.24	4.04	1.50	—	2.47
	– high	5.25	40.86	53.05	—	26.78
Yield %	– weighted average	6.73	6.81	8.23	—	8.21
	– low	6.60	5.67	5.04	—	4.40
	– high	9.00	15.70	15.00	—	24.25
% discount applied to houses held under assured tenancies		—	—	—	25.00	—

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

Notes to the Financial Statements continued

for the year ended 31 December 2015

13. Investment properties continued

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

	Impact on valuation 2015 £'000				
	Industrial	**Leisure**	**Mixed-use**	**Residential**	**Retail**
Yield – improvement by 0.5%	**898**	**979**	**3,556**	**—**	**1,855**
Rental value per sq ft – increase by £1 average	**2,820**	**768**	**4,475**	**—**	**2,520**
Tenancy discount – increase by 1%	**—**	**—**	**—**	**50**	**—**

	Impact on valuation 2014 £'000				
	Industrial	Leisure	Mixed-use	Residential	Retail
Yield – improvement by 0.5%	1,125	608	3,483	—	1,520
Rental value per sq ft – increase by £1 average	3,059	309	3,982	—	1,476
Tenancy discount – increase by 1%	—	—	—	44	—

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

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £8,216,000 (2014: £8,026,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £540,000 (2014: £327,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £1,023,000 (2014: £1,101,000).

At 31 December 2015, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £776,000 (2014: £11,167,000).

Investment property under construction

Class	Industrial	Land	Leisure	Office	Retail		
Fair value hierarchy	Level 3	Level 3	Level 3	Level 3	Level 3	**2015**	2014
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Fair value							
At 1 January	9,344	6,248	1,833	4,283	20,735	**42,443**	41,867
Subsequent expenditure on investment property	6,150	184	1,711	1,245	2,441	**11,731**	10,351
Capitalised letting fees	56	—	—	—	81	**137**	73
Amortisation of capitalised letting fees	(5)	—	—	—	(2)	**(7)**	(18)
Disposals	(2,577)	(1,944)	—	—	(408)	**(4,929)**	(2,493)
Transfer to assets held for sale	(11,812)	—	—	—	—	**(11,812)**	—
Transfer to inventories	(4,354)	(2,376)	—	—	(544)	**(7,274)**	(3,081)
Transfers to completed investment property	—	—	(3,940)	(1,575)	(1,777)	**(7,292)**	(1,405)
(Decrease)/increase in fair value in year	3,716	—	396	547	(6,039)	**(1,380)**	(2,851)
At 31 December	**518**	**2,112**	**—**	**4,500**	**14,487**	**21,617**	42,443
Adjustment in respect of tenant incentives	—	—	—	—	—	**—**	—
Adjustment in respect of tax benefits	—	—	—	—	—	**—**	—
Market value at 31 December	**518**	**2,112**	**—**	**4,500**	**14,487**	**21,617**	42,443

13. Investment properties continued

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

		2015				
Class		**Industrial**	**Land**	**Leisure**	**Office**	**Retail**
Valuation technique		Residual	Sales comparison	Residual	Residual	Residual
Rental value per sq ft (£)	– weighted average	**–**	**–**	**–**	**26.00**	**14.55**
	– low	**–**	**–**	**–**	**26.00**	**10.00**
	– high	**–**	**–**	**–**	**26.00**	**33.65**
Yield %	– weighted average	**–**	**–**	**–**	**6.25**	**5.90**
	– low	**–**	**–**	**–**	**6.25**	**4.65**
	– high	**–**	**–**	**–**	**6.25**	**7.49**
Costs to complete per sq ft (£)	– weighted average	**–**	**0.79**	**–**	**216.65**	**154.82**
	– low	**–**	**0.79**	**–**	**216.65**	**64.69**
	– high	**–**	**0.79**	**–**	**216.65**	**225.76**
Land value per acre (£'000)	– weighted average	**120**	**201**	**–**	**–**	**–**
	– low	**120**	**102**	**–**	**–**	**–**
	– high	**120**	**396**	**–**	**–**	**–**

		2014				
Class		Industrial	Land	Leisure	Office	Retail
Valuation technique		Residual	Sales comparison	Residual	Residual	Residual
Rental value per sq ft (£)	– weighted average	4.54	–	8.47	25.00	15.79
	– low	4.25	–	8.47	25.00	9.09
	– high	6.30	–	8.47	25.00	33.65
Yield %	– weighted average	7.17	–	5.50	6.25	5.99
	– low	6.60	–	5.25	6.00	4.65
	– high	7.50	–	5.75	6.50	7.00
Costs to complete per sq ft (£)	– weighted average	41.76	3.17	70.57	216.15	161.98
	– low	34.24	0.78	70.57	216.15	83.97
	– high	70.99	5.23	70.57	216.15	225.76
Land value per acre (£'000)	– weighted average	–	117	–	–	–
	– low	–	24	–	–	–
	– high	–	971	–	–	–

Notes to the Financial Statements continued

for the year ended 31 December 2015

13. Investment properties continued

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

	Impact on valuation 2015 £'000				
	Industrial	**Land**	**Leisure**	**Office**	**Retail**
Yield – improvement by 0.5%	**—**	**—**	**—**	**1,026**	**5,932**
Rental value per sq ft – increase by £1 average	**—**	**—**	**—**	**454**	**4,041**
Costs to complete – increase by 1%	**—**	**1**	**—**	**30**	**313**
Land value per acre – increase by 5%	**26**	**105**	**—**	**—**	**—**

	Impact on valuation 2014 £'000				
	Industrial	Land	Leisure	Office	Retail
Yield – improvement by 0.5%	2,385	—	265	1,041	5,573
Rental value per sq ft – increase by £1 average	9,959	—	339	479	2,912
Costs to complete – increase by 1%	872	10	28	32	371
Land value per acre – increase by 5%	—	424	—	—	—

Investment properties under construction are developments which have been valued at 31 December 2015 at fair value by the Directors of the Company using the residual method at £21,617,000 (2014: £42,443,000). 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.

14. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2014	35,772
Additions	—
At 31 December 2014 and 2015	**35,772**
Fair value adjustments	
At 1 January 2014	(32,403)
Reversal of provisions for losses	440
At 31 December 2014	(31,963)
Provisions for losses	**(788)**
At 31 December 2015	**(32,751)**
Carrying amount	
At 31 December 2015	**3,021**
At 1 January 2015	3,809
At 1 January 2014	3,369

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

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

- Road Link (A69) Holdings Limited which is 61.2% owned by Henry Boot Construction Limited;
- Capitol Park Property Services Limited which is 5% owned by, and under board control of, Henry Boot Developments Limited;
- Waterloo Court Management Company Limited which is 17% owned by, and under board control of, Henry Boot Developments 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 and associates

Group	2015 Joint ventures £'000	2015 Associates £'000	2015 Total £'000	2014 Joint ventures £'000	2014 Associates £'000	2014 Total £'000
Cost						
At 1 January	**1,367**	**—**	**1,367**	180	—	180
Share of profit for the year	**923**	**—**	**923**	1,187	—	1,187
Additions	**—**	**1,500**	**1,500**	—	—	—
At 31 December	**2,290**	**1,500**	**3,790**	1,367	—	1,367

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

	2015 Joint ventures £'000	2015 Associates £'000	2015 Total £'000	2014 Joint ventures £'000	2014 Associates £'000	2014 Total £'000
Investment property	**5,884**	**—**	**5,884**	5,348	—	5,348
Current assets	**654**	**1,500**	**2,154**	348	—	348
Total assets	**6,538**	**1,500**	**8,038**	5,696	—	5,696
Current liabilities	**(948)**	**—**	**(948)**	(249)	—	(249)
Non-current liabilities	**(3,300)**	**—**	**(3,300)**	(4,080)	—	(4,080)
Net investment	**2,290**	**1,500**	**3,790**	1,367	—	1,367

	2015 Joint ventures £'000	2015 Associates £'000	2015 Total £'000	2014 Joint ventures £'000	2014 Associates £'000	2014 Total £'000
Revenue	**458**	**—**	**458**	485	—	485
Administration and other expenses	**(175)**	**—**	**(175)**	(320)	—	(320)
Increase in fair value of investment properties	**690**	**—**	**690**	1,002	—	1,002
Operating profit	**973**	**—**	**973**	1,167	—	1,167
Finance (costs)/income	**(50)**	**—**	**(50)**	35	—	35
Profit before tax	**923**	**—**	**923**	1,202	—	1,202
Tax	**—**	**—**	**—**	(15)	—	(15)
Share of profits after tax	**923**	**—**	**923**	1,187	—	1,187

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

16. Trade and other receivables

	Group 2015 £'000	Group 2014 £'000	Parent Company 2015 £'000	Parent Company 2014 £'000
Trade receivables	**50,270**	42,135	**73**	177
Prepayments	**12,326**	4,606	**672**	159
Amounts owed by related companies	**2,359**	8,161	**—**	—
Amounts owed by Group undertakings	**—**	—	**196,966**	193,866
	64,955	54,902	**197,711**	194,202
Due within one year	**54,448**	50,065	**197,711**	194,202
Due after more than one year	**10,507**	4,837	**—**	—
	64,955	54,902	**197,711**	194,202

Included in the Group's trade receivable balance are receivables with a carrying amount of £4.3m (2014: £4.0m) 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.

Financial Statements

Notes to the Financial Statements continued
for the year ended 31 December 2015

16. Trade and other receivables continued
Ageing of past due but not impaired trade receivables

	2015 £'000	2014 £'000
30–60 days	**3,337**	2,889
60–90 days	**693**	576
90–120 days	**130**	257
120+ days	**164**	253
	4,324	3,975

Movement in the allowance for doubtful receivables

	2015 £'000	2014 £'000
At 1 January	**235**	299
Impairment losses recognised	**118**	63
Amounts written off as uncollectable	**(17)**	(94)
Amounts recovered during the year	**(33)**	(33)
At 31 December	**303**	235

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

	2015 £'000	2014 £'000
0–30 days	**40**	4
30–60 days	**2**	8
60–90 days	**2**	23
90–120 days	**28**	6
120+ days	**231**	194
	303	235

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 £4,248,000 (2014: £2,560,000), of which £1,688,000 (2014: £nil) has been provided in the year and £nil (2014: £nil) 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 its 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.

17. Deferred tax

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

Deferred tax asset

Group	Accelerated capital allowances £'000	Property revaluations £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 1 January 2014	142	840	4,015	414	5,411
Recognised in income	161	99	(475)	(148)	(363)
Recognised in other comprehensive income	—	—	2,092	(17)	2,075
At 31 December 2014	303	939	5,632	249	7,123
Recognised in income	**53**	**(1,209)**	**(670)**	**(40)**	**(1,866)**
Recognised in other comprehensive income	**—**	**509**	**(1,439)**	**(4)**	**(934)**
At 31 December 2015	**356**	**239**	**3,523**	**205**	**4,323**
Parent Company					
At 1 January 2014	29	—	4,015	401	4,445
Recognised in income	1	—	(475)	(144)	(618)
Recognised in other comprehensive income	—	—	2,092	—	2,092
At 31 December 2014	30	—	5,632	257	5,919
Recognised in income	**(2)**	**—**	**(670)**	**(36)**	**(708)**
Recognised in other comprehensive income	**—**	**—**	**(1,439)**	**—**	**(1,439)**
At 31 December 2015	**28**	**—**	**3,523**	**221**	**3,772**

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 £2,254,000 (2014: £837,000). 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.

As a result of the change in the UK corporation tax rate from 20% to 19% effective from 1 April 2017 and from 19% to 18% effective from 1 April 2020, both of which were substantively enacted on 26 October 2015, deferred tax balances at the year end have been measured at 20% and 18% (2014: 20%) being the rates at which timing differences are expected to reverse.

Subsequently, a further reduction to the UK corporation tax rate has been announced reducing the rate to 17% from 1 April 2020. The change had not been substantively enacted at the Statement of Financial Position date and, therefore, is not recognised in these Financial Statements. The impact of this change on the deferred tax position of the Group is not expected to be material.

18. Inventories

	2015 £'000	2014 £'000
Developments in progress	**32,122**	17,830
Land held for development or sale	**73,916**	72,920
Options to purchase land	**9,274**	8,127
Planning promotion agreements	**23,629**	18,580
	138,941	117,457

Within developments in progress £67,000 (2014: £101,000) has been written down and recognised as an expense in the year. These costs relate to development projects no longer likely to proceed. Within land held for development, options to purchase land and planning promotion agreements £2,340,000 (2014: £1,991,000) has been written down and recognised as an expense in the year. These costs relate to land, options and planning promotion agreements where planning permission for development has been refused or is deemed to be doubtful.

Notes to the Financial Statements continued

for the year ended 31 December 2015

19. Construction contracts

	2015 £'000	2014 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in trade receivables	**2,322**	573
Amounts due to contract customers included in trade payables	**(6,529)**	(10,096)
	(4,207)	(9,523)
Contract costs incurred plus recognised profits less recognised losses to date	**357,110**	305,843
Less: progress billings	**(361,317)**	(315,366)
	(4,207)	(9,523)

At 31 December 2015, retentions held by customers for contract work amounted to £1,947,000 (2014: £1,547,000). Advances received from customers for contract work amounted to £6,529,000 (2014: £10,096,000).

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 the Group had no assets classified as held for sale.

Assets classified as held for sale comprise the following:

	Investment property	
	2015 £'000	2014 £'000
Fair value		
At 1 January	**260**	10,511
Transfer from investment property	**13,163**	260
Disposals	**(13,423)**	(10,511)
At 31 December	**—**	260
Adjustment in respect of tenant incentives	**—**	—
Adjustment in respect of tax benefits	**—**	—
Market value at 31 December	**—**	260

Assets classified as held for sale have been valued at 31 December 2015 at fair value by the Directors of the Company at £nil (2014: £260,000).

21. Trade and other payables

	Group		Parent Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade payables	**58,804**	55,675	**1,690**	1,662
Social security and other taxes	**4,250**	4,842	**367**	472
Accrued expenses	**1,887**	2,305	**887**	347
Deferred income	**6,027**	9,083	**—**	—
Interest rate swap liability	**—**	17	**—**	—
Amounts owed to related parties	**55**	50	**—**	—
Amounts owed to Group undertakings	**—**	—	**79,656**	79,737
	71,023	71,972	**82,600**	82,218
Due within one year	**64,384**	68,833	**82,600**	82,218
Due after more than one year	**6,639**	3,139	**—**	—
	71,023	71,972	**82,600**	82,218

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

22. Government grants

Government grants have been received in relation to the infrastructure of one of the Company's land developments and three of the Group's property developments.

Grant income received relating to revenue grants are 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 £ 917,000 (2014: £nil).

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

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 2015 this was £38.9m (2014: £36.4m). Equity comprises all components of equity and at 31 December 2015 this was £221.5m (2014: £200.5m).

During 2015 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.

In February 2015, the Group concluded negotiations with its three banking partners to put in place a £60m facility to replace the £50m facility we had in place at 31 December 2014. The renewed facilities commenced on 17 February 2015, with a renewal date of 17 February 2018 and an option to extend the facility by one year, each year, for the next two years occurring on the anniversary of the facility. On 17 February 2016 we exercised our option to extend the facilities by one year to 17 February 2019. The renewed facilities, on improved terms, maintain covenants on the same basis as the previous facilities.

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.

Notes to the Financial Statements continued

for the year ended 31 December 2015

24. Borrowings

	Group		Parent Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Bank overdrafts	**2**	—	**478**	642
Bank loans	**42,389**	33,096	**40,000**	30,000
Government loans	**8,582**	7,652	**—**	—
	50,973	40,748	**40,478**	30,642
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	**43,327**	32,322	**40,760**	30,834
In the second year	**2,871**	2,297	**—**	—
In the third to fifth years inclusive	**5,697**	6,909	**—**	—
After five years	**—**	—	**—**	—
	51,895	41,528	**40,760**	30,834
Due within one year	**43,327**	32,322	**40,760**	30,834
Due after one year	**8,568**	9,206	**—**	—
	51,895	41,528	**40,760**	30,834

The weighted average interest rates paid were as follows:

	2015 £'000	2014 £'000
Bank overdrafts	**2.52**	3.25
Bank loans – floating rate	**2.25**	2.55
Bank loans – floating rate (relating to Road Link (A69) Limited)	**1.51**	1.42
Bank loans – floating rate (relating to Stonebridge Offices Limited)	**3.08**	3.03
Government loans	**2.65**	3.03

Bank overdrafts are repayable on demand.

Borrowings are recognised at fair value, where the fair values are based on cash flows discounted using variable market rates.

Liquidity risk

The Company's objectives when managing liquidity are:

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

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

Full and final settlement of the Road Link (A69) Limited bank loan was made on 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 29 October 2014 and is repayable in quarterly instalments of £31,250 that commenced on 11 December 2014, with full and final settlement becoming due on 11 December 2018.

24. Borrowings continued

Government loans from the South West of England Regional Development Agency (SWE) and Sedgemoor District Council (SDC) were issued at a borrowing rate of nil%; their fair values are £2,626,000 (2014: £2,718,000) and £319,000 (2014: £319,000) respectively.

Government loans from the Homes and Communities Agency (HCA) were issued with a fixed level of interest of £407,000 (2014: £301,000); their fair values are £4,163,000 (2014: £2,815,000) (Education Campus) and £1,474,000 (2014: £1,800,000) (Phase II Road Infrastructure).

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

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

Repayment of the SWE loan commenced during 2013, being three years after the quarter date of the construction completion of the first residential unit. Repayments of £150,000 (2014: £300,000) were made during the year. The repayments are calculated at £8,000 per residential unit, are linked to the Land Registry House Price Index and are subject to certain minimum repayment amounts.

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

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

Repayment of the Phase II Road Infrastructure HCA loan commenced during the year upon the occupation of the 1,151st dwelling. Repayments of £325,530 were made during the year. The repayments are calculated at £3,675 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). If the relevant number of dwellings is not met by 31 December 2015 and each year thereafter until 2019, advance payments will be required. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

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

Based on approximate average borrowings during 2015, a 1.0% (2014: 1.0%) change in interest rates, which the Directors consider to be a reasonable possible change, would affect profitability before tax by £504,000 (2014: £306,000).

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 2015, the Group had available £35,129,000 (2014: £21,800,000) undrawn committed borrowing facilities.

Notes to the Financial Statements continued

for the year ended 31 December 2015

25. Derivative financial instruments

Interest rate swap – cash flow hedge

At 31 December 2015, an interest rate swap transaction was in place covering a bank loan of £nil (2014: £581,000) 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 2015 was a liability of £nil (2014: £17,000), 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:

	2015 £'000	2014 £'000
Derivative financial liabilities:		
Level 1	**—**	—
Level 2	**—**	17
Level 3	**—**	—
Total fair value	**—**	17

Explanation of the fair value hierarchy:

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

26. Provisions

	Land development £'000	Road maintenance £'000	Other £'000	Total £'000
At 1 January 2015				
Included in current liabilities	3,092	1,205	25	4,322
Included in non-current liabilities	5,185	—	—	5,185
	8,277	1,205	25	9,507
Additional provisions in year	**1,785**	**1,033**	**—**	**2,818**
Unwinding of discount	**6**	**—**	**—**	**6**
Utilisation of provisions	**(1,867)**	**(1,095)**	**—**	**(2,962)**
Non-utilisation of provisions	**—**	**—**	**(25)**	**(25)**
At 31 December 2015	**8,201**	**1,143**	**—**	**9,344**
Included in current liabilities	**4,606**	**1,143**	**—**	**5,749**
Included in non-current liabilities	**3,595**	**—**	**—**	**3,595**
	8,201	**1,143**	**—**	**9,344**

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, pro rata on an acreage allocation basis where disposals occur over a number of phases, such that provisions are only made in relation to the land which has been disposed. Based on a 1.0% change in the discount rate and a 5.0% change in the estimated cash outflows, both of which the Directors consider to be a reasonable possible change, land development provisions would change and affect profitability before tax by £111,000 and £390,000 respectively (2014: £161,000 and £420,000).

26. Provisions continued

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

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset. Based on a 5.0% change in the estimated cash outflows, which the Directors consider to be a reasonable possible change, the road maintenance provision would change and affect profitability before tax by £146,000 (2014: £60,000).

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, being taken into account in the Financial Statements.

Off Balance Sheet Arrangements

The Group is currently undertaking the infrastructure of land developments at Bridgwater and Cranbrook, spanning 122 and 53 acres respectively (2014: 122 and 53). The Group is liable for various planning and infrastructure obligations required to be met under section agreements imposed by the local Councils. The Group shares its planning and infrastructure obligations relating to the Cranbrook site with two other parties, the Group's share being 30%. These shared obligations are secured by performance bonds and legal charges. The Group deems the possibility of default by the other parties as highly remote. The infrastructure of these developments is anticipated to continue until 2020 and 2025 respectively with cost being incurred throughout these periods.

The Group has historically disposed of 86 and 23 acres respectively (2014: 86 and 16) and has subsequently recognised provisions to the value of £8,201,000 (2014: £8,277,000), being the Group's best estimate of the consideration required to settle the present obligations at the reporting date. Subsequent disposals are expected to occur over a number of phases, provisions are made in relation to the land which has been disposed. The present value of the estimated cash flows relating to future disposals, amounting to £7,071,000 (2014: £11,454,000), has therefore not been recognised in these 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 £919,000 (2014: £694,000) represents contributions payable to the scheme by the Group.

Defined benefit pension scheme

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

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

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

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

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

Investment risk

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

Interest rate risk

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

Overview
Strategic Report
Governance
Financial Statements
Shareholder Information

Notes to the Financial Statements continued

for the year ended 31 December 2015

27. Retirement benefit obligations continued

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.

A formal actuarial valuation was carried out as at 31 December 2012. The results of that valuation have been projected to 31 December 2015 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

The main financial assumptions used in the valuation of the liabilities of the scheme under IAS 19 are:

	2015 %	2014 %
Retail Prices Index 'Jevons' (RPIJ)	**2.30**	2.30
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)	**2.30**	2.30
Revaluation of deferred pensions	**2.00**	2.00
Liabilities discount rate	**3.80**	3.60

Mortality assumptions	**2015 Years**	2014 Years
Retiring today (aged 65)		
Male	**21.9**	22.1
Female	**24.2**	24.4
Retiring in 20 years (currently aged 45)		
Male	**23.2**	23.3
Female	**25.8**	26.0

The mortality assumptions adopted are the Self Administered Pension Schemes (SAPS) tables with allowance for future improvements in line with Continuous Mortality Investigation (CMI) 2014 with an annual improvement of 1% per annum.

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

	Impact on scheme liabilities		
	Change in assumption	Increase in assumption	Decrease in assumption
Rate of inflation	0.25%	Increase by 3.6%	Decrease by 3.5%
Rate of general increases in salaries	0.25%	Nil*	Nil*
Liabilities discount rate	0.25%	Decrease by 3.7%	Increase by 4.0%
Rate of mortality	1 year	Increase by 3.3%	Decrease by 3.3%

* 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.

27. Retirement benefit obligations continued

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

	2015 £'000	2014 £'000
Service cost:		
Current service cost	1,308	1,129
Ongoing scheme expenses	328	425
Settlement	(8)	—
Net interest expense	951	832
Pension Protection Fund	118	47
Pension expenses recognised in profit or loss	2,697	2,433
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	723	(8,029)
Actuarial gains arising from changes in demographic assumptions	(1,338)	(2,862)
Actuarial (gains)/losses arising from changes in financial assumptions	(5,387)	21,349
Actuarial (gains)/losses recognised in other comprehensive income	(6,002)	10,458
Total	(3,305)	12,891

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

	2015 £'000	2014 £'000
Present value of scheme obligations	170,214	176,641
Fair value of scheme assets	(150,637)	(148,483)
	19,577	28,158

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

	2015 £'000	2014 £'000
Non-current liabilities	19,577	28,158

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

	2015 £'000	2014 £'000
At 1 January	176,641	156,254
Current service cost	1,308	1,129
Interest on obligation	6,253	6,920
Contributions from scheme members	5	5
Actuarial (gain)/loss	(6,725)	18,487
Liabilities extinguished on settlements	(562)	—
Benefits paid	(6,706)	(6,154)
At 31 December	170,214	176,641

Notes to the Financial Statements continued

for the year ended 31 December 2015

27. Retirement benefit obligations continued

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

	2015 £'000	2014 £'000
At 1 January	**148,483**	136,179
Interest income	**5,302**	6,088
Actuarial gain on scheme assets	**(723)**	8,029
Employer contributions	**5,158**	4,761
Contributions from scheme members	**5**	5
Assets distributed on settlements	**(554)**	—
Benefits paid	**(6,706)**	(6,154)
Ongoing scheme expenses	**(328)**	(425)
At 31 December	**150,637**	148,483

The categories of plan assets are as follows:

	2015 £'000	2014 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	**47,407**	45,774
Synthetic equity	**11,997**	11,612
Diversified growth funds	**44,768**	32,313
Government bonds	**—**	10,256
Corporate bonds	**19,110**	23,468
Diversified credit funds	**10,071**	5,645
Cash and net current assets	**7,706**	2,766
Unquoted investments:		
Direct lending	**9,578**	4,758
Property	**—**	11,891
At 31 December	**150,637**	148,483

Included in equities are 1,295,000 (2014: 2,000,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £2,900,800 (2014: £3,905,000).

The weighted average duration of the defined benefit obligation is 15.9 years (2014: 16.5 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2015 financial year is £4,909,000, being £4,907,000 payable by the Group and £2,000 payable by scheme members.

The Company's level of recovery plan funding to the scheme is £3,775,000 per annum, which will be reviewed at the next triennial valuation. In addition to this the Company contributes a further £250,000 per annum towards the administration expenses of the scheme.

28. Operating leases

The Group as lessee

	2015 £'000	2014 £'000
Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the year	**276**	239

At 31 December 2015, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 £'000	2014 £'000
Within one year	**255**	150
In the second to fifth years inclusive	**586**	508
After five years	**440**	550
	1,281	1,208

28. Operating leases continued

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:

	2015 £'000	2014 £'000
Within one year	**6,507**	7,095
In the second to fifth years inclusive	**26,170**	28,712
After five years	**67,558**	79,907
	100,235	115,714

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	2015 £'000	2014 £'000
Management charges receivable	**1,140**	1,420
Interest receivable	**8,049**	8,042
Interest payable	**(2,333)**	(2,413)
Rents payable	**(180)**	(151)
Recharge of expenses	**127**	159

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

Purchases of goods and services	2015 £'000	2014 £'000
Close family members of key management personnel (amounts paid for IT services)	**38**	36
Related companies of key management personnel (amounts paid for Non-executive Director services)	**41**	40

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

Remuneration of key management personnel

The remuneration of the Directors, who are key management personnel of the Group and are responsible for making all of the strategic decisions of the Group and its subsidiaries, 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 66 to 73.

	2015 £'000	2014 £'000
Short-term employee benefits	**1,567**	1,547
Post-employment benefits	**41**	40
Share-based payments	**239**	451
	1,847	2,038

Notes to the Financial Statements continued

for the year ended 31 December 2015

30. Share capital

	Allotted, issued and fully paid 2015 £'000	2014 £'000
400,000 5.25% cumulative preference shares of £1 each (2014: 400,000)	**400**	400
132,041,358 ordinary shares of 10p each (2014: 131,923,592)	**13,204**	13,192
	13,604	13,592

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 of, 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. Grants of options to participating employees were made on 26 October 2011 at a price of 106.0p at a discount of just over 10% of the prevailing market price and 23 October 2014 at a price of 172.0p at a discount of just over 9.5%. These become exercisable for a six month period from 1 December 2014 and 1 December 2017 respectively. There are no performance criteria attached to the exercise of these options which are normally capable of exercise up to six months after the third anniversary of the Sharesave contract commencement date. The right to exercise options terminates if a participating employee leaves the Group, subject to certain exceptions.

	Options outstanding at 31 December 2014	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2015
October 2011 grant	97,124	**—**	**1,358**	**95,766**	**—**
October 2014 grant	1,147,862	**—**	**77,945**	**2,214**	**1,067,703**

The weighted average share price at the date of exercise for share options exercised during the period was 213.00p (2014: 185.31p).

(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 set out in the Directors' Remuneration Policy which is available to view on the website: www.henryboot.co.uk/about-us/governance.

(c) The Henry Boot 2015 Long Term Incentive Plan

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

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

	2015 Number	2014 Number
Share options granted at 1 January	**1,293,278**	1,559,582
Lapses of share options in year	**(555,426)**	(419,389)
Awards of shares in year	**(103,641)**	(386,850)
Share options granted in year	**268,849**	539,935
Share options granted at 31 December	**903,060**	1,293,278

30. Share capital continued

The weighted average share price at the date of exercise for share options exercised during the period was 234.0p (2014: 196.5p).

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

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

	Options outstanding at 31 December 2014	Options granted	Options lapsed	Options exercised	**Options outstanding at 31 December 2015**
May 2011 grant	64,000	**—**	**—**	**22,000**	**42,000**
October 2014 grant	165,000	**—**	**10,000**	**—**	**155,000**

The weighted average share price at the date of exercise for share options exercised during the period was 225.88p (2014: 200.57p).

Fair value

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

	LTIP	CSOP 2011 grant	CSOP 2014 grant	Sharesave 2011	Sharesave 2014
Weighted average exercise price	Nil	121.5p	191.0p	106.0p	172.0p
Weighted average share price	206.4p	121.5p	191.0p	115.5p	181.0p
Expected volatility	32.00% to 32.35%	41.47%	31.17%	37.14%	31.45%
Expected life	3 years	3 years	3 years	3 years	3 years
Risk-free rate	0.31% to 1.26%	1.67%	1.23%	0.86%	0.82%
Expected dividend yield	2.97% to 3.56%	5.02%	3.16%	5.02%	3.16%

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 106.75p (2014: 51.60p).

Expense recognised in the Statement of Comprehensive Income

	2015 £'000	2014 £'000
The total expense recognised in the Statement of Comprehensive Income arising from share-based payment transactions	**492**	423

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

Notes to the Financial Statements continued

for the year ended 31 December 2015

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 2014	3,355	171,938	271	3,134	209	(48)	3,566
Profit for the year	—	21,169	—	—	—	—	—
Dividends paid	—	(6,886)	—	—	—	—	—
Premium arising from shares issued	—	—	—	817	—	—	817
Movements in fair value of cash flow hedge	—	—	—	—	—	52	52
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	(10)	(10)
Arising on employee share schemes	—	(191)	—	—	—	—	—
Unrecognised actuarial loss	—	(10,458)	—	—	—	—	—
Deferred tax on actuarial loss	—	2,092	—	—	—	—	—
At 31 December 2014	3,355	177,664	271	3,951	209	(6)	4,425
Profit for the year	**—**	**23,041**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**(7,664)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**—**	**117**	**—**	**—**	**117**
Movements in fair value of cash flow hedge	**—**	**—**	**—**	**—**	**—**	**9**	**9**
Deferred tax on fair value movements of cash flow hedge	**—**	**—**	**—**	**—**	**—**	**(3)**	**(3)**
Increase in fair value in year	**100**	**—**	**—**	**—**	**—**	**—**	**—**
Deferred tax on revaluation surplus	**509**	**—**	**—**	**—**	**—**	**—**	**—**
Arising on employee share schemes	**—**	**291**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial gain	**—**	**6,002**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial gain	**—**	**(1,439)**	**—**	**—**	**—**	**—**	**—**
At 31 December 2015	**3,964**	**197,895**	**271**	**4,068**	**209**	**—**	**4,548**

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 2014	52,299	271	3,134	211	1,135	4,751
Profit for the year	8,541	—	—	—	—	—
Dividends paid	(6,886)	—	—	—	—	—
Premium arising from shares issued	—	—	817	—	—	817
Unrecognised actuarial loss	(10,458)	—	—	—	—	—
Deferred tax on actuarial loss	2,092	—	—	—	—	—
Arising on employee share schemes	(332)	—	—	—	—	—
At 31 December 2014	45,256	271	3,951	211	1,135	5,568
Profit for the year	**7,357**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**(7,664)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**117**	**—**	**—**	**117**
Unrecognised actuarial gain	**6,002**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial gain	**(1,439)**	**—**	**—**	**—**	**—**	**—**
Arising on employee share schemes	**96**	**—**	**—**	**—**	**—**	**—**
At 31 December 2015	**49,608**	**271**	**4,068**	**211**	**1,135**	**5,685**

31. Reserves continued

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.

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	2015 £'000	2014 £'000
At 1 January	550	188
Additions	—	1,010
Disposals	(205)	(648)
At 31 December	**345**	550

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 2015, the Trustee held 177,320 shares (2014: 283,175 shares) with a cost of £344,787 (2014: £549,831) and a market value of £397,197 (2014: £552,899). All of these shares were committed to satisfy existing grants by the Company under the Henry Boot PLC 2006 Long Term Incentive Plan, the Henry Boot PLC 2015 Long Term 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 dividends on the shares it holds.

33. Cash generated from operations

		Group		Parent Company	
		2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Profit before tax		**32,410**	28,312	**7,539**	8,681
Adjustments for:					
Amortisation of PFI asset	11	**1,193**	1,155	**—**	—
Goodwill impairment	11	**203**	203	**—**	—
Depreciation of property, plant and equipment	12	**3,637**	3,299	**76**	50
Impairment gain on land and buildings	12	**(10)**	—	**—**	—
Revaluation decrease/(increase) in investment properties	13	**2,009**	(1,950)	**—**	—
Amortisation of capitalised letting fees	3	**52**	94	**—**	—
Share-based payment expense	4	**492**	423	**297**	282
Pension scheme credit		**(2,579)**	(2,375)	**(2,579)**	(2,375)
Movements on provision against investments in subsidiaries	14	**—**	—	**788**	(440)
Movements on provision against loans to subsidiaries		**—**	—	**1,688**	—
Profit on disposal of assets held for sale	3	**(485)**	(122)	**—**	—
Gain on disposal of property, plant and equipment	3	**(296)**	(459)	**—**	(8)
Gain on disposal of investment properties		**(747)**	(284)	**—**	—
Finance income	5	**(1,438)**	(714)	**(18,208)**	(15,855)
Finance costs	6	**1,617**	1,550	**3,391**	3,383
Share of profit of joint ventures	15	**(923)**	(1,187)	**—**	—
Operating cash flows before movements in equipment held for hire		**35,135**	27,945	**(7,008)**	(6,282)
Purchase of equipment held for hire	12	**(4,057)**	(3,670)	**—**	—
Proceeds on disposal of equipment held for hire		**334**	580	**—**	—
Operating cash flows before movements in working capital		**31,412**	24,855	**(7,008)**	(6,282)
Increase in inventories		**(13,706)**	(22,366)	**—**	—
(Increase)/decrease in receivables		**(9,381)**	(157)	**488**	(488)
(Decrease)/increase in payables		**(3,117)**	12,525	**199**	9,297
Cash generated from/(used by) operations		**5,208**	14,857	**(6,321)**	2,527

34. Guarantees and contingencies

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

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.

35. Additional information – subsidiaries, joint ventures and associates

Details of the Company's subsidiaries, joint ventures and associates, all of which are incorporated in England and are consolidated in the Group Financial Statements at 31 December 2015, are as follows:

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Banner Plant Limited	100%	Direct	Plant hire
Buffergone Limited	100%	Direct	Construction
Capitol Park Property Services Limited	5%	Indirect	Property development
Chocolate Works York Management Company Limited	100%	Indirect	Management company
Comstock (Kilmarnock) Limited	100%	Indirect	Land development
First National Housing Trust Limited	100%	Direct	Property investment
Hallam Land Management Limited	100%	Direct	Land development
Henry Boot Biddenham Limited	100%	Direct	Land development
Henry Boot Contracting Limited	100%	Direct	Inactive
Henry Boot Construction Limited	100%	Direct	Construction
Henry Boot Developments Limited	100%	Direct	Property investment and development
Henry Boot Developments (Ayr) Limited	100%	Indirect	Inactive
Henry Boot Estates Limited	100%	Direct	Property investment
Henry Boot Inner City Limited	100%	Direct	Inactive
Henry Boot 'K' Limited	100%	Indirect	Property investment and development
Henry Boot (Launceston) Limited	100%	Direct	Land development
Henry Boot Land Holdings Limited	100%	Direct	Land development
Henry Boot Leasing Limited	100%	Direct	Motor vehicle leasing to Group companies
Henry Boot Nottingham Limited	100%	Indirect	Inactive
Henry Boot Port Talbot Limited	100%	Direct	Property development
Henry Boot Projects Limited	100%	Direct	Property investment and development
Henry Boot Swindon Limited	100%	Direct	Land development
Henry Boot Tamworth Limited	100%	Indirect	Property investment and development
Henry Boot Wentworth Limited	100%	Direct	Property development
Henry Boot Whittington Limited	100%	Direct	Property investment
Investments (North West) Limited	100%	Indirect	Property development
Kirklees Henry Boot Partnership Limited	50%	Indirect	Inactive
Marboot Centregate Ltd	100%	Indirect	Property investment
Moore Street Securities Limited	100%	Direct	Employee benefit trust
Plot 7 East Markham Vale Management Company Limited	100%	Indirect	Management company
Road Link (A69) Holdings Limited	61.2%	Indirect	Holding company
Road Link (A69) Limited	100%	Indirect	PFI road maintenance
Road Link Limited	100%	Indirect	Inactive
Saltwoodend Limited	100%	Indirect	Inactive
Stonebridge Projects Limited	50%	Indirect	Property development
Stonebridge Offices Limited	100%	Indirect	Property investment and development
Waterloo Court Management Company Limited	17%	Indirect	Management company
Winter Ground Limited	100%	Indirect	Property investment and development

On 28 July 2015 Henry Boot Construction Limited disposed of 100% of the ordinary share capital of Henry Boot Construction (Harrogate) Limited for £1,615,162.

Joint ventures and associates	Proportion of ownership	Direct or indirect	Activity
Aytoun Street Developments Limited	50%	Indirect	Property development
I-Prop Developments Limited	50%	Indirect	Property development
Kirklees Henry Boot Partnership Limited	50%	Indirect	Inactive
Markey Colston Limited	27.33%	Indirect	Property development
Pennine Property Partnership LLP	50%	Indirect	Property investment and development

Henry Boot

A close relationship with shareholders is a strength of the Company

SHAREHOLDER INFORMATION

Contents

Property Valuers' Report

City Point
29 King Street
Leeds LS1 2HL
tel +44 (0) 113 244 6440
fax +44 (0) 113 245 4664
www.jll.co.uk

THE DIRECTORS

Henry Boot PLC
Banner Cross Hall
Ecclesall Road South
Sheffield
S11 9PD

31 December 2015

Dear Sirs

HENRY BOOT PLC

Group property portfolio valuation as at 31 December 2015

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 2015. The valuations have been prepared in accordance with RICS Valuation – Professional Standards (January 2014) published 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 regard to 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 2015, is:

Freehold properties	£101,722,375
Leasehold properties	£6,890,000
Mixed tenure properties	£225,000
Total	**£108,837,375**

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 30 Warwick Street, London W1B 5NH

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT and requires your immediate attention. If you are in any doubt about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Henry Boot PLC, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Board of Henry Boot PLC considers all of the proposed resolutions to be in the best interests of shareholders as a whole and accordingly recommends that shareholders vote in favour of all the resolutions proposed.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of Henry Boot PLC (Company) will be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 26 May 2016 at 12.30pm for the following purposes:

To consider and if thought fit, pass the following resolutions, which will be proposed as ordinary resolutions of the Company.

Resolution 1

To receive the Directors' Report, Auditors' Report, Strategic Report and the Financial Statements for the year ended 31 December 2015.

Resolution 2

To declare a final dividend of 3.80p per ordinary share.

Resolution 3

To approve the Directors' Remuneration Report for the year ended 31 December 2015.

Resolution 4

To reappoint E J Boot as a Director of the Company.

Resolution 5

To reappoint J T Sutcliffe as a Director of the Company.

Resolution 6

To reappoint D L Littlewood as a Director of the Company.

Resolution 7

To reappoint Ms J C Lake as a Director of the Company.

Resolution 8

To reappoint J J Sykes as a Director of the Company.

Resolution 9

To reappoint P Mawson as a Director of the Company.

Resolution 10

To reappoint G R Jennings as a Director of the Company.

Resolution 11

To reappoint PricewaterhouseCoopers LLP as auditors of the Company.

Resolution 12

To authorise the Directors to fix the auditors' remuneration.

Resolution 13

THAT pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised 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 £4,401,378, provided that (unless previously revoked, varied or renewed) this authority shall expire on 25 August 2017 or at the conclusion of the next AGM of the Company after the passing of this resolution, 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).

To consider and if thought fit, pass the following resolutions, which will be proposed as special resolutions of the Company.

Notice of Annual General Meeting continued

Resolution 14

THAT subject to the passing of Resolution 13 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 13 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 £660,000,

and (unless previously revoked, varied or renewed) this power shall expire on 25 August 2017 or at the conclusion of the next AGM of the Company after the passing of this resolution, 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).

Resolution 15

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 25 August 2017; 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.

By order of the Board

R A Deards
Company Secretary
22 April 2016

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

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 24 May 2016 (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, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, no later than 12.30pm on 24 May 2016 (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 online service at www.investorcentre.co.uk/eproxy . For an electronic proxy appointment to be valid, the appointment must be received by Computershare Investor Services PLC no later than 12.30pm on 24 May 2016 (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 Computershare Investor Services PLC (ID: 3RA50) no later than 12.30pm on 24 May 2016 (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 Computershare Investor Services PLC 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.

Notice of Annual General Meeting continued

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.

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 Financial Statements (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-ir@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-ir@henryboot.co.uk.

    No other methods of communication will be accepted.
15. As at 4 April 2016 (being the last practicable date before publication of this notice), the Company's issued ordinary share capital was 132,041,358 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

Financial Calendar

London Stock Exchange Announcements

Preliminary Statement of Results 2015:
24 March 2016

Half-yearly Results 2016:
25 August 2016

Pre-close Trading Statement 2016:
end January 2017

Annual Report and Financial Statements

Annual Report and Financial Statements 2015 (Available and online):
by 22 April 2016

Annual General Meeting

26 May 2016

Dividends Paid on Ordinary Shares

2015 Final dividend date (Subject to approval at AGM):
31 May 2016

2016 Interim dividend date (Subject to approval):
21 October 2016

Advisers

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP
St Paul's Place
121 Norfolk Street
Sheffield S1 2LE

Bankers

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

Santander UK PLC
44 Merrion Street
Leeds LS2 8JQ

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

Corporate Finance

KPMG Corporate Finance
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA

Financial PR

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

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

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

Land Development
Hallam Land Management Limited

Head office
Banner Cross Hall, Ecclesall Road South, Sheffield, S11 9PD

t: 0114 255 5444
e: info@hallamland.co.uk
w: **www.hallamland.co.uk**

Regional offices
Bristol, Glasgow, Leeds, London, Manchester and Northampton

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
1 Featherbank Court, Horsforth, Leeds, LS18 4QF

t: 0113 357 1100
e: sales@stonebridgehomes.co.uk or
info@stonebridgeoffices.co.uk
w: **www.stonebridgehomes.co.uk** or
www.stonebridgeoffices.co.uk

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

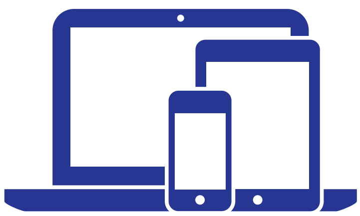
t: 01246 299400
e: dronfield@bannerplant.co.uk
w: **www.bannerplant.co.uk**

Hire centres
Chesterfield, Derby, Dronfield, Leeds, Rotherham and Wakefield

Road Link (A69) Limited

Head office
Stocksfield Hall, Stocksfield, Northumberland, NE43 7TN

t: 01661 842842
e: enquiries@roadlinka69.co.uk



Visit us online
For more information on
Henry Boot PLC please visit our
website at **www.henryboot.co.uk**

Shareholder Information

Our Group locations
National coverage

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.

Head Office
Sheffield

Offices
Bristol
Dronfield
Glasgow
Leeds
London
Manchester
Northampton
Stocksfield

Hire Centres
Chesterfield
Dronfield
Derby
Leeds
Rotherham
Wakefield

MIX
Paper from responsible sources
FSC® C100528
FSC
www.fsc.org

This Annual Report is printed by an FSC® (Forest Stewardship Council), certified printer using vegetable based inks.

This report has been printed on Claro silk, a white coated paper and board using 100% EFC pulp.

Jonesandpalmer
we think. we design. we publish.
www.jonesandpalmer.co.uk

Glossary

We have used some terms in this report to explain how we run our business that 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 building, industrial property, retail stores, etc.

CAGR
Compound Annual Growth Rate.

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

Inventory value
The determination of the cost of unsold inventory at the end of the accounting period.

IOSH
Institution of Occupational Safety and Health.

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).

Localism Bill
A bill to devolve greater powers to councils and neighbourhoods and give local communities more control over housing and planning decisions.

Net asset value per share (NAV)
Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.

Operating profit
Profit earned from a company's core activities.

Option Agreement
A legal agreement between a landowner and another party for the right to buy land within a set time scale at the conclusion of a satisfactory planning permission.

Ordinary share
Any shares that are not preferred shares and do not have any predetermined dividend amounts. An ordinary share represents equity ownership in a company and entitles the owner to a vote in matters put before shareholders in proportion to their percentage ownership in the company.

Planning Promotion Agreement (PPA)
A legal agreement between a landowner and another party for a set time scale and financial consideration to promote land through the UK planning system.

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.

Subsidiary company
A company whose voting stock is more than 50% controlled by another company, usually referred to as the parent company or holding company. A subsidiary is a company that is partly or completely owned by another company that holds a controlling interest in the subsidiary company.

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.

Trading profit
The difference between an organisation's sales revenue and the cost of goods sold.

UK Planning System
This system consists of the process of managing the development of land and buildings. The purposes of this process are to save what is best of our heritage and improve the infrastructure upon which we depend for a civilised existence.

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
e: cosec-ir@henryboot.co.uk

www.henryboot.co.uk