ONE HENRY BOOT

Henry Boot PLC

Annual Report and Financial Statements
for the year ended 31 December 2016

www.henryboot.co.uk
Stock code: BHY

WELCOME TO OUR
2016 ANNUAL REPORT

Established in 1886, we are one of the UK's leading land promotion, property investment and development, and construction companies.

OUR CULTURE MEANS THAT WE HAVE A UNIQUE AND COHESIVE APPROACH TO DOING BUSINESS.

Read more about our **One Henry Boot** project on pages 14 and 15 and our **People** on pages 40 to 42

Quick content finder

Chairman's Statement

"I am delighted to report a 22% increase in profit before tax to £39.5m for the year ended 31 December 2016."

Read the **Chairman's Statement** on pages 06 and 07

Our Business Model

Our ability to deliver long-term value for shareholders is underpinned by our business model.

Read about our **Business Model** on pages 10 to 13

One Henry Boot

In January 2016 we began a fresh focus on how the Henry Boot Group of Companies can better work together.

Read about the **One Henry Boot** project on pages 14 and 15

Segmental Reviews

Land Promotion, Property Investment and Development, and Construction.

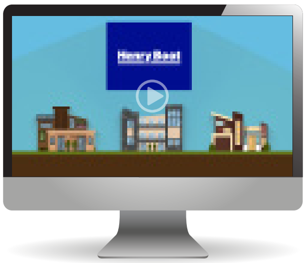
Read about **Land Promotion** on pages 24 and 25

Read about **Property Investment and Development** on pages 26 and 27

Read about **Construction** on pages 28 and 29

We maintain a corporate website containing a wide range of information of interest to investors and stakeholders: **www.henryboot.co.uk**

Watch the Henry Boot Business Model video within the online year in review at **www.henryboot.annualreport2016.com**



Contents

Getting around the Report

Read more details **in this Report**

Read more details at **www.henryboot.co.uk**

FIVE KEY DRIVERS OF GROWTH

1

Good financial track record over the long term

- Providing reliable earnings through cyclical markets with good visibility from the opportunities under control.
- Prudent debt levels and a disciplined approach to risk management.
- Underlying profit produced within our three business segments:
  - Land Promotion
  - Property Investment and Development
  - Construction

2

A long established and efficient capital structure

- Reinvestment of cash generated in the construction segment into strategic land and commercial development assets to enhance returns to shareholders.
- We aim to provide dividend growth whilst maintaining three times cover to allow for investment in future opportunities without diluting existing shareholders.

3

Delivering residential communities

- 11,888 acres of strategic land on 165 sites throughout the UK.
- Our strategic land business has the scope to deliver 50,000 to 60,000 housing units over the next 10 to 20 years, with 16,417 secured planning permission plots.
- Given the well documented housing shortages and the government's desire for more housing delivery our land bank is well positioned to benefit from this process.

4

Delivering Commercial Opportunity

- A commercial development portfolio with £800m plus of Gross Development Value is to be delivered over the next three years.
- We should see the delivery of over two million sq ft of industrial and logistic space over the next five years through our regional industrial developments sites at Markham Vale, Thorne, Southend Airport, Luton and the M62 corridor.
- A small but quickly growing jointly owned housebuilder with a land bank of over 600 units with a future planned output of 100 unit sales per year.

5

Shareholder Returns

- Our long-term strategic aim is to create shareholder value through land promotion, property development, and construction.
- Strong organic growth drivers and capital allocation across our three business segments.
- Dividend has increased by 180% over the last ten years.

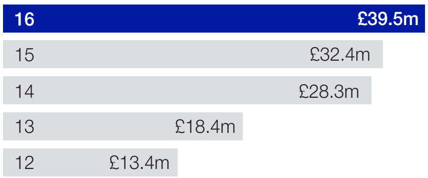
2016 HIGHLIGHTS

CONSISTENT PERFORMANCE

Financial Highlights

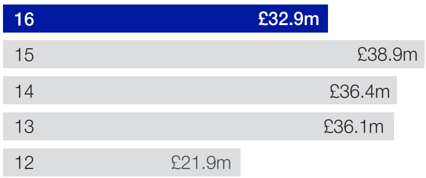
Profit before tax +22%

£39.5m



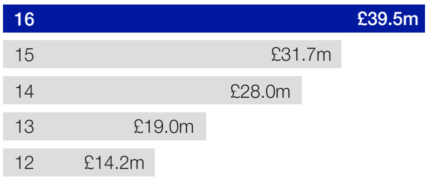
Net debt -15%

£32.9m



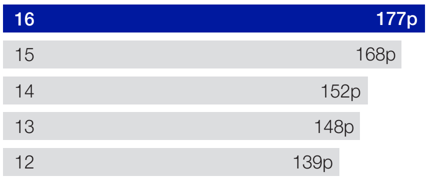
Operating profit +25%

£39.5m



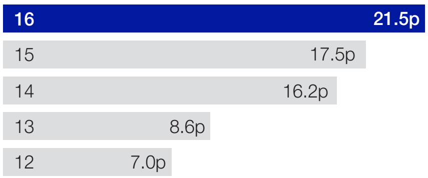
Net asset value per ordinary share +5%

177p



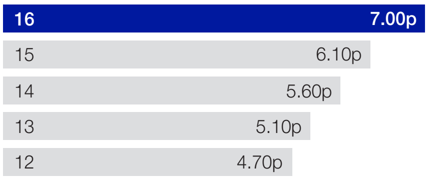
Earnings per ordinary share +23%

21.5p



Dividends per ordinary share +15%

7.00p



Highlights of the year

— Initial construction phase of the Aberdeen Exhibition and Conference Centre, at a cost of £333m, has commenced.

— Completion of £35m Stocksbridge development and commencement of £35m Better Barnsley town centre regeneration project.

— Over 16,000 strategic land plots with planning permission, a further 10,000 plots in the planning process and applications being prepared for another 10,000 plots in 2017.

— 70 properties completed by Stonebridge Projects with an average sales value of circa £266,000 per property.

— Record dividend of 7.00p, a 15% increase.

— Creation of new Operations Board to promote co-operation between all Henry Boot Group companies.

— Commencement of the '**One Henry Boot**' project examining our culture, purpose, vision and values.

Read more in the **Financial Review** on pages 30 to 33

Read more about our '**One Henry Boot**' project on pages 14 and 15

Read about **Land Promotion** on pages 24 and 25

Read about **Property Investment and Development** on pages 26 and 27

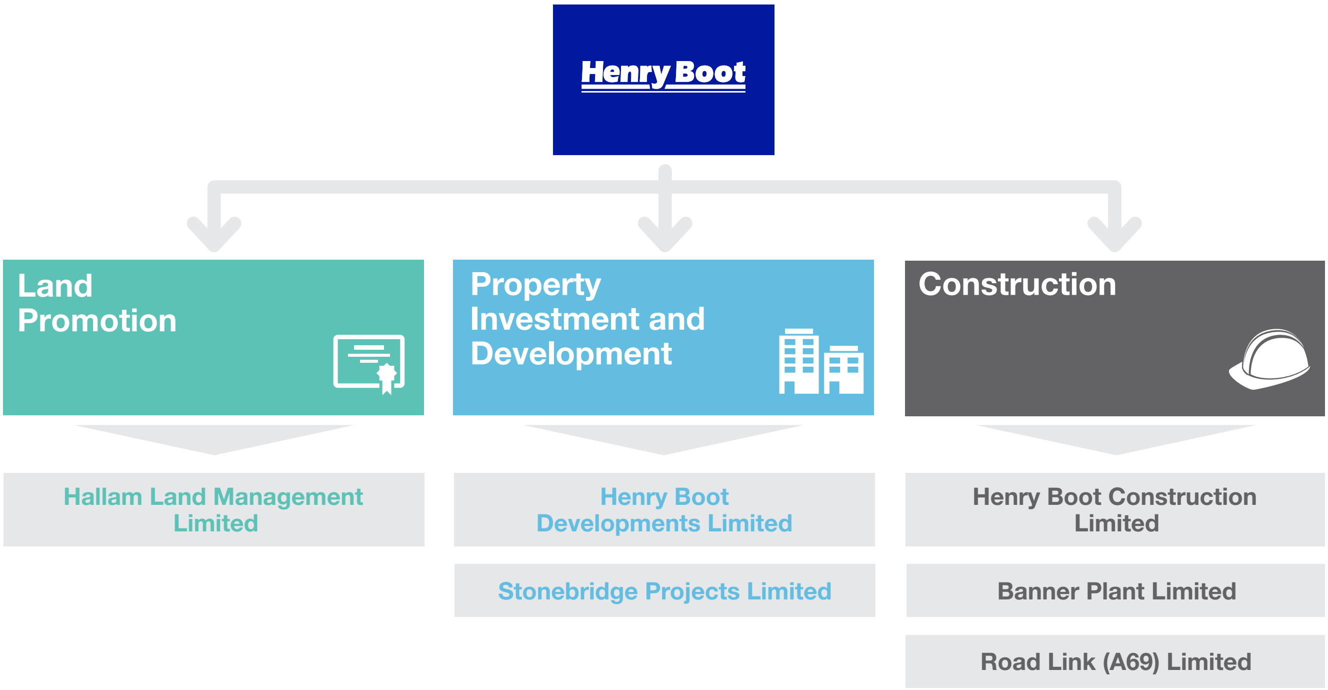
Read about **Construction** on pages 28 and 29

EXPERTISE AND EXPERIENCE

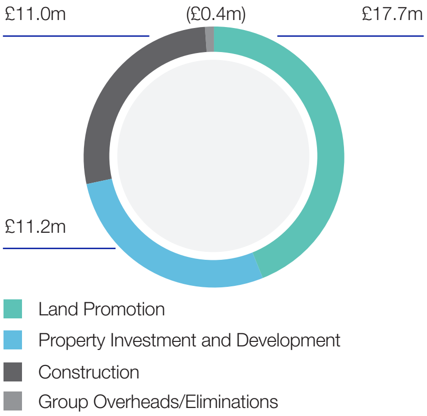
The strength of the business and our consistent growth is achieved through our Group structure and diverse business segments.

Group Structure

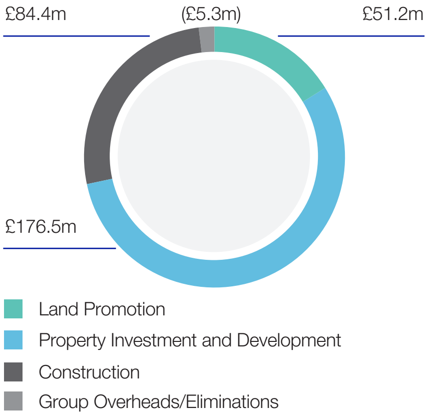
Henry Boot PLC, the parent company, provides leadership, direction and support services to the business segments in a number of areas, including health and safety, treasury and banking operations, accounts and payroll, company secretariat, pensions, legal, human resources and training, public and investor relations, corporate communications, information communication technology and insurance.



Profit before tax
£39.5m



Group revenue
£306.8m



Read about **Land Promotion** on pages 24 and 25

Read about **Property Investment and Development** on pages 26 and 27

Read about **Construction** on pages 28 and 29

Read more about **Our Business Model** on pages 10 to 13

Read more about **Our Strategy** on pages 16

OUR SECTORS

LAND PROMOTION

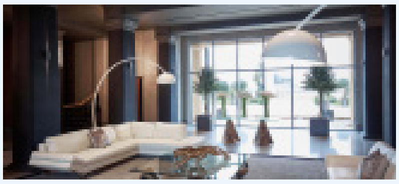
Hallam Land Management

The strategic land and planning promotion arm of the Henry Boot Group. 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

PROPERTY INVESTMENT AND DEVELOPMENT

Henry Boot Developments



A major established leading force in the UK with its considerable experience and impressive reputation in all sectors of property development.
The company has also built up an investment portfolio of over £100m in recent years.

Key sectors:
- Retail, industrial, leisure, office space and commercial development
- Development partnerships
- Residential development

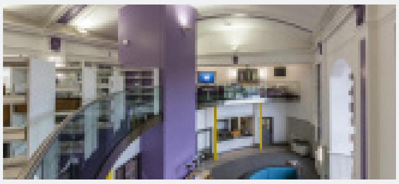
Stonebridge Projects

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.

Key sectors:
- Residential development
- Serviced office space

CONSTRUCTION

Henry Boot Construction



Specialising in serving both public and private clients in all construction and civil engineering sectors, we have strong partnering relationships in the education, healthcare and custodial sectors, delivering new build and refurbishment works on a long-term strategic basis.

Banner Plant

Offering a wide range of construction equipment and services for sale and hire – 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 Link (A69)

Road Link has a 30-year contract (nine years remaining) with Highways England to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. Works include road resurfacing, bridge repairs, winter preparation and routine maintenance. Highways England pays Road Link (A69) a shadow toll, which is a fee based upon the number of vehicles using the road and the mileage travelled by those vehicles.

WELCOME TO THE CHAIRMAN'S STATEMENT

I am pleased to report an overall strong performance during 2016, my first full year as your Chairman.

> "Each of our three business segments performed well, notwithstanding the macroeconomic concerns after the EU referendum result. As always, the annual financial results and the delivery of shareholder value over the longer term is down to the talent, commitment and hard work of all our people."
>
> **Jamie Boot**
> Chairman

I am delighted to report a 22% increase in profit before tax to £39.5m for the year ended 31 December 2016. Each of our three business segments performed well, notwithstanding the macroeconomic concerns after the EU referendum result, and we have built a strong pipeline of schemes to be delivered over 2017-2019. Retained earnings, offset in part by a slightly higher pension scheme deficit, resulted in the net asset value per share rising to 177p from 168p with total capital employed of £233.6m.

Hallam Land Management, our land promotion business, continues to operate in relatively stable market conditions. The major UK house builders report that they are replenishing land banks in line with sales and the UK planning process was largely unchanged over 2016. We continue to have a good supply of permissioned land for the house builders to draw on.

As noted in our 2015 Annual Report, 2016 saw the start of several larger commercial developments for Henry Boot. Delivery of major schemes at Aberdeen, Markham Vale and York has progressed well in the year and, in addition, we continue to work on a number of smaller schemes. As many of these projects are pre-sold, much of this activity is reflected in 2016 turnover which increased 74% to £306.8m. This increase in activity also included 89 residential completions at York and 70 completions through our jointly owned house builder, Stonebridge Projects.

The Construction segment once again performed solidly, being underpinned by the stable PFI income stream. Plant Hire traded consistently well over the year and although we saw slightly lower activity from the Construction business, secured contracts for 2017 will see activity move forward once again.

Dividend

I am very pleased to report that the Board, taking account of the strong result this year and the positive outlook, is recommending an increased final dividend of 4.50p per share, giving a total for the year of 7.00p (2015: 6.10p), an increase of 15% over 2015, and covered over three times by earnings.

Payment of the final dividend is subject to shareholder approval at the Annual General Meeting and will be paid on 30 May 2017 to shareholders on the register as at 28 April 2017.

Our team

As highlighted in my previous report, 2016 saw the appointment of myself as Chairman, three new Non-executive Directors and promotions within our Executive team. This new senior team has worked productively together over the course of the year. As always, the annual financial results and the delivery of shareholder value over the longer term is down to the talent, commitment and hard work of all our people. We aim to empower and develop all our teams of talented people to identify profitable schemes and, on behalf of the Board and shareholders, we thank them and look forward to reporting on their further successes in 2017 and beyond.

Outlook

Our key strategic aim is to deliver value to shareholders over the longer term. We are, therefore, continually looking to acquire new opportunities which create profit well into the future. 2016 saw us increase both the scale of our strategic land business and the value of commercial developments to be delivered over time.

2017 has started in line with our expectations and the year ahead will see us actively work on over ten commercial development schemes, some of which will take us through to 2019 and 2020. Our strategic land business has a record volume of sites and these sites are further forward in planning terms than ever before. Including sites with planning permission already granted, those in the planning process and sites where we anticipate making an application within the current year, we now have over 30,000 plots in the pipeline. We continue to focus on the profitable delivery of all these opportunities and remain confident in our ability to achieve this on behalf of our shareholders.

Jamie Boot
Chairman
21 April 2017

Recommended final dividend

4.50p

Turnover increased to over

£300m

Read the **Financial Review** on pages 30 to 33

Read about the **Board of Directors** on pages 50 and 51

Pictured 'The Residence', part of the former Terry's chocolate factory at York, saw 89 residential apartment completions during 2016.

STRATEGIC REPORT

The Directors present the Group Strategic Report for the year ended 31 December 2016.

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 8 to 45 has been approved by the Board and signed on its behalf by

John Sutcliffe
Chief Executive Officer

Darren Littlewood
Group Finance Director

21 April 2017

Pictured 2016 saw completion of the £35m Fox Valley retail park at Stocksbridge.

BUSINESS MODEL – OUR OPERATIONS

Open the flap
to read more

Our ability to deliver long-term value for shareholders is underpinned by our business model.

Henry Boot operates across the whole property value chain. We acquire land without planning permission, obtain planning permission, develop sites and maintain an investment portfolio.

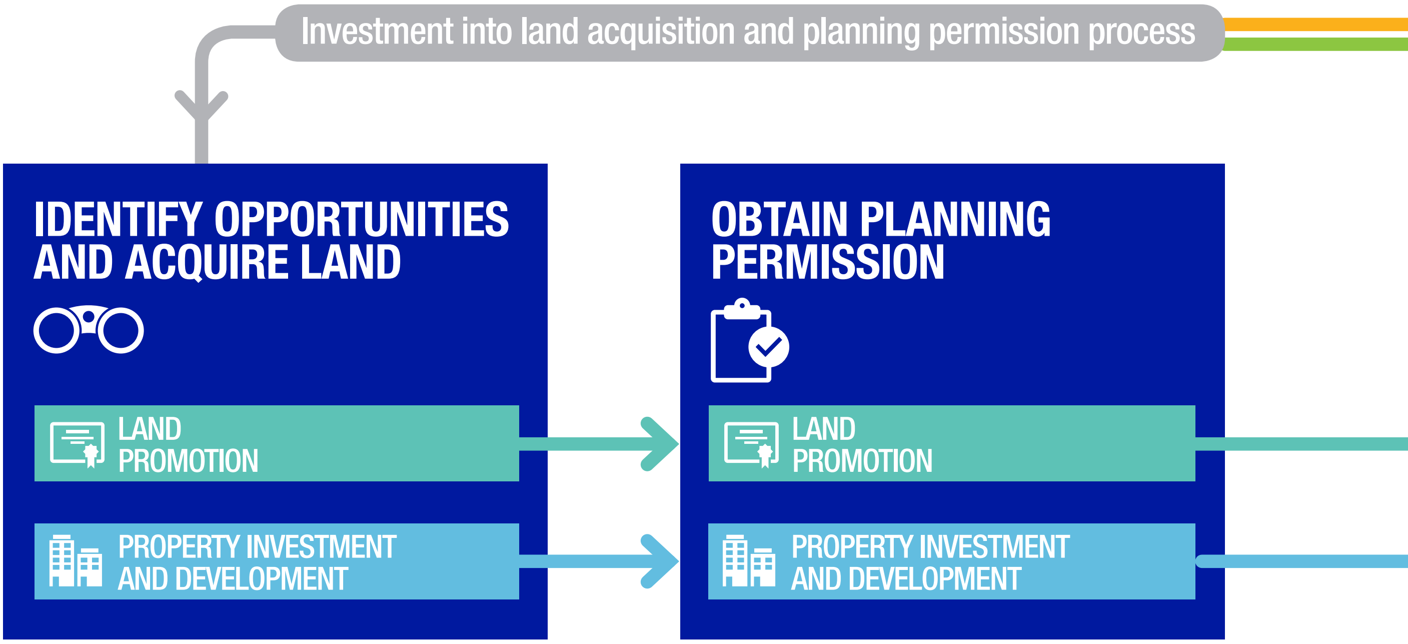
Our people are at the heart of all that we achieve, we develop skilled employees who deliver profitable schemes with confidence.

Henry Boot PLC has six primary businesses, in three segments:

Land Promotion
Hallam Land Management

Property Investment and Development
Henry Boot Developments and Stonebridge Projects

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



Investment into land acquisition and planning permission process

IDENTIFY OPPORTUNITIES AND ACQUIRE LAND

LAND PROMOTION

PROPERTY INVESTMENT AND DEVELOPMENT

OBTAIN PLANNING PERMISSION

LAND PROMOTION

PROPERTY INVESTMENT AND DEVELOPMENT

Hallam Land Management acquires mainly agricultural land and then promotes it for its highest value use. The use of agency and option agreements, as opposed to buying all land outright, means less expenditure on each asset, allowing us to maximise the number of land opportunities that we are involved in at any one time. As investment is spread over many assets, this reduces the overall risk of involvement in the planning process and maximises the likelihood of making a return on the capital invested.

Henry Boot Developments acquires mainly brownfield land.

Gaining planning permission on land adds immense value to its worth and is a crucial part of the operations of both the **Land Promotion** and **Property Investment and Development** segments. Our high level of expertise in resolving complex planning issues and our partnerships are key enablers to achieving successful outcomes in the promotion of sites through the planning process. Maintaining close relationships with key property advisers alerts us to potential opportunities. Throughout the process, we work closely with landowners, calling on the knowledge and guidance of planning consultants and legal advisers as required.

Hallam Land Management promotes land for residential, commercial and retail consent.

Henry Boot Developments promotes land for commercial development. **Stonebridge Projects** promotes land for residential development.

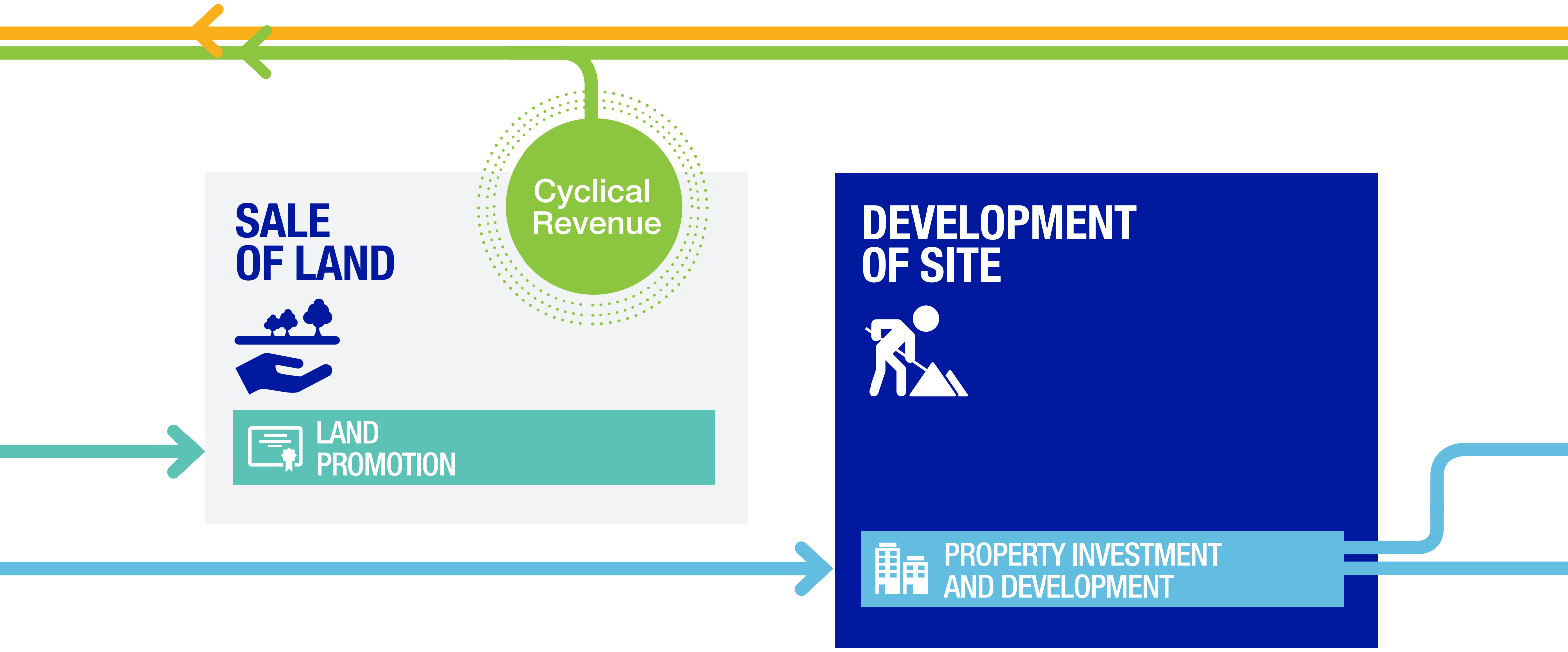
The businesses share ideas and working best practice with each other.

The six primary businesses within Henry Boot all operate relatively autonomously within their respective business segments, and it is rare that they will work on the same assets. However, the businesses will work on the same projects if the circumstances are right. For example, Henry Boot Construction may act as a construction contractor for the Property Investment and Development businesses, if it tenders the best bid. The businesses share ideas and best practice with each other.

The diversification of the Group activities strengthens the business. Being involved in multiple sectors – residential, retail and industrial development, construction and civil engineering – means that we are not overly exposed to one particular market. This enables us to weather the economic landscape and deliver on our key objective of maximising shareholder value.

Watch our Business Model video at
www.henryboot.co.uk

Read about our **Group Financial Strength**
on page 13

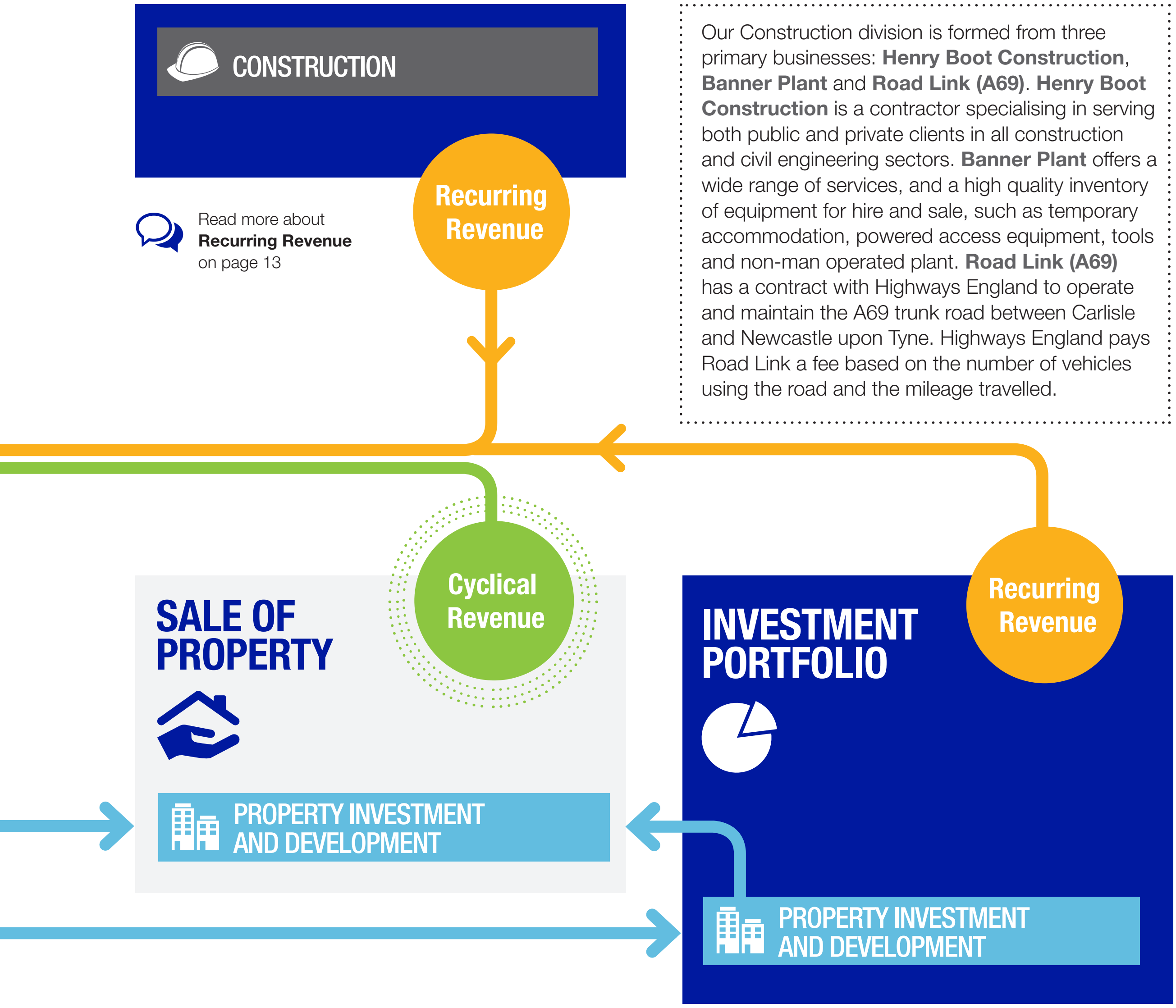


Once **Hallam Land Management** obtains planning permission on a site, it is sold to a developer, sometimes after infrastructure has been installed. The amount of capital required to achieve planning permission on a section of land is a very small proportion of the total capital required for the whole building process, from acquisition of land without planning permission through to completion of construction. This means that **Hallam Land Management** is focused on maximising the most profitable section of the housebuilding process for the lowest amount of working capital.

Unlike **Hallam Land Management**, when **Henry Boot Developments** and **Stonebridge Projects** gain planning permission for a site, they will develop it themselves.

The ability that **Henry Boot Developments** has to self-fund or source prefunding opens up opportunities for the business. It means that they do not require bank funding before agreeing to development work and can commit to long-term projects, such as complex multi-site regeneration schemes.

Read more about **Cyclical Revenue**
on page 13



CONSTRUCTION

Recurring Revenue

Read more about **Recurring Revenue** on page 13

Our Construction division is formed from three primary businesses: **Henry Boot Construction**, **Banner Plant** and **Road Link (A69)**. **Henry Boot Construction** is a contractor specialising in serving both public and private clients in all construction and civil engineering sectors. **Banner Plant** offers a wide range of services, and a high quality inventory of equipment for hire and sale, such as temporary accommodation, powered access equipment, tools and non-man operated plant. **Road Link (A69)** has a contract with Highways England to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. Highways England pays Road Link a fee based on the number of vehicles using the road and the mileage travelled.

SALE OF PROPERTY

Cyclical Revenue

PROPERTY INVESTMENT AND DEVELOPMENT

INVESTMENT PORTFOLIO

Recurring Revenue

PROPERTY INVESTMENT AND DEVELOPMENT

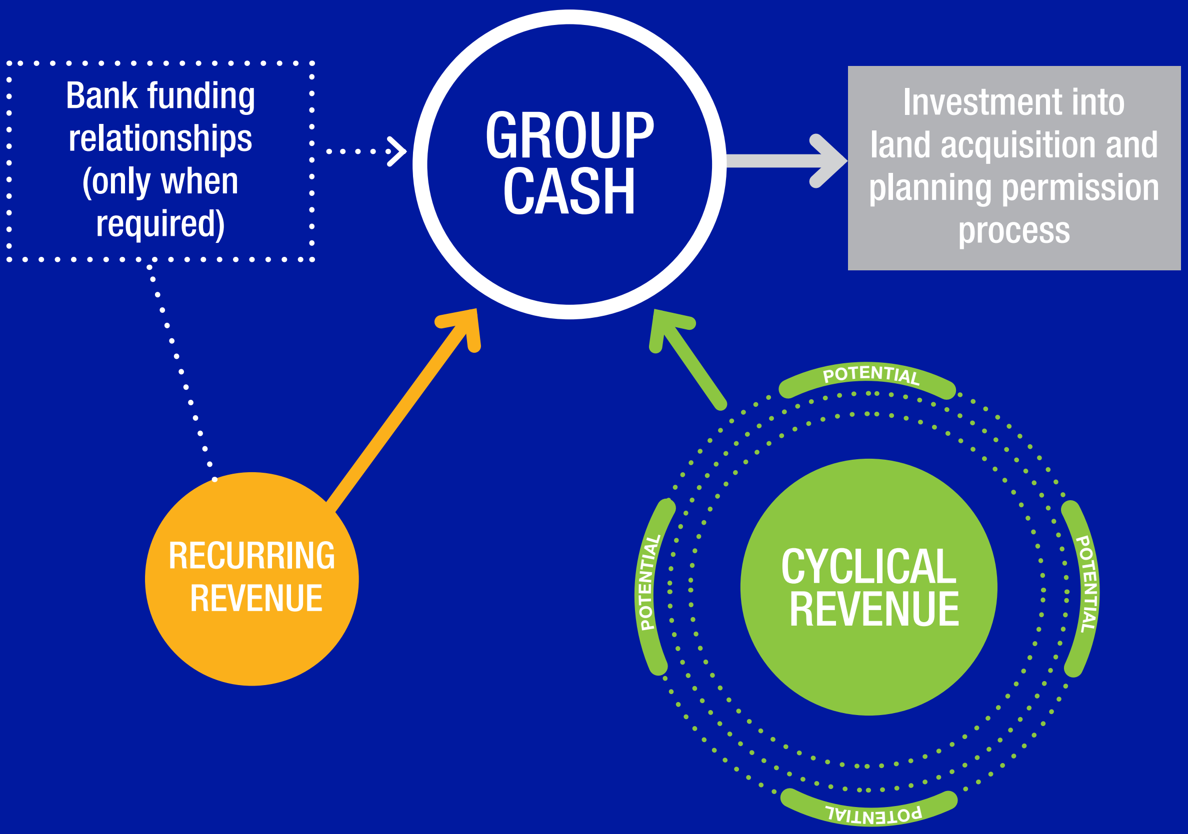
Once a property is developed, it may be immediately sold, generating significant revenue. Properties may be retained by the business to form part of the investment portfolio and may be sold at a later time.

Read more about **Cyclical Revenue** on page 13

A number of the finished property developments are retained and managed by the **Property Investment and Development** segment. The property investment portfolio of **Henry Boot Developments** is worth over £100m and generates a sizable amount of rental income each year.

Read more about **Recurring Revenue** on page 13

BUSINESS MODEL – GROUP FINANCIAL STRENGTH



Bank funding relationships (only when required)

GROUP CASH

Investment into land acquisition and planning permission process

RECURRING REVENUE

CYCLICAL REVENUE

POTENTIAL

POTENTIAL

POTENTIAL

POTENTIAL

RECURRING REVENUE

The revenue from construction and the property investment portfolio is regular and stable. This income allows Henry Boot PLC to maintain long-term bank funding relationships.

CYCLICAL REVENUE

Sale of land and property developments generates cyclical revenue. These activities are riskier and give varying amounts of profit through each economic cycle. These profits, in good years, contribute significantly to the stable profits from construction and property investment.

Investment into land acquisition and planning permission process

Investing in the planning process and achieving planning permission delivers significant value. However, the revenue generated from sale of land and properties is not regular, recurring income. Therefore, it would not be possible to directly fund the Land and Property Development activity through bank loans.

The property investment portfolio of Henry Boot Developments is worth over £100m and generates a sizeable amount of rental income each year. This recurring revenue allows us to borrow money against the investment portfolio at attractive rates, which may be invested into the land and property development process. The Construction segment is self-funded and cash generative. There is little capital employed so income is used to invest in land and development.

The only bank debts that the Group has are secured against the investment properties and the housebuilding inventory. A significant amount of equity has always been retained in the business, which reduces the need for borrowing. As a result of our financial structure, we can invest in the more profitable areas of the business (strategic land and property development) to maximise the value generated while maintaining prudent gearing levels.

BETTER WORKING TOGETHER

In January 2016 we began a fresh focus on how the Henry Boot Group of Companies can better work together and ensure greater internal collaboration between our companies.

Our first course of action was to create an Operations Board consisting of the Chief Executive Officer, Group Finance Director and Company Secretary together with the four prime subsidiary company Managing Directors and the Managing Director of Stonebridge Projects Limited, our jointly owned house builder.

The meetings occur bi-monthly in advance of the Henry Boot PLC Board Meeting with the aim of updating the Chief Executive Officer and Group Finance Director on business matters prior to the PLC Board Meeting, as well as encouraging discussion on topics including Group working and co-operation.

We then rolled out these principles of co-operation and collaboration as agenda items to the subsidiary company board meetings. Once more of our people became aware of this focus we realised a need to review our existing statements of Purpose, Strategy, Vision and Values and re-assess the communication of our Business Model.

We called this important project '**One Henry Boot**'.

The Board decided to engage an external consultant, Infinite Global Consulting Limited, to prepare and carry out a perception audit. We wanted to understand the thoughts and feelings of our employees and of our key suppliers, sub-contractors and customers as to the Group's Vision, Values and the Henry Boot way of working. All employees were given the opportunity to participate in the perception audit. We then expanded upon the project with a second perception audit targeting a selection of Henry Boot's institutional investors and analysts. This second survey was conducted on our behalf by DuplexIR.

Our aim was to determine how well the institutional investors and analysts actually understood our business model and how it worked, and what their thoughts were in respect of our Purpose, Strategy, Vision and Values.

Whilst the business (what we do) has changed a lot in the past 130 years, our culture (the way we do things) has not. However, we realised that a clearer communication of our business model was essential and this year the business model is presented in a new format which we believe helps to explain the crucial interaction between our businesses and, therefore, the need for a focus on Group working and co-operation.

The '**One Henry Boot**' project has now been extended and we have created three teams of employee volunteers with the remit to consider the Vision and Values of the Group as a whole. The volunteers will also help bring the vision and values to life by identifying real life examples of behaviours in the workplace.

The three teams of volunteers, with representatives from all our companies, are working with a third external consultant, Slic Solutions Limited.

We involved volunteers as we want this process of review to be drawing upon experience from across the Group and to benefit from the genuine thoughts and feelings of our people.

By next year's Annual Report we will be able to present the results of this work. Already, the '**One Henry Boot**' project has created a great deal of interest and enthusiasm in the Group and we firmly believe that this project will provide real benefits to us all in the future.

The Board is committed to its role in shaping, overseeing and embedding our Vision, Values and behaviours.

Read more about our **People**
on pages 40 to 42

Pictured Our first team of volunteers met at Dronfield in February this year.

"Henry Boot engaged us to find out how the Company is viewed by both employees and the external market. It takes a degree of courage to ask people for their frank opinions of your organisation, but this invaluable information has enabled the management team to test whether the Company's stated Vision and Values are aligned with its present situation, and thereby inform Henry Boot's strategy."

Bruce Wraight
Infinite Global Consulting Limited

"Henry Boot were one of the first to see the merits of my approach and their willingness to be an 'early adopter' proved very useful and provided some valuable information on how investors and analysts respond to online questioning – particularly when it came to valuation approaches and accounting for assets gains and values."

Ian Robinson
DuplexIR

"I'm delighted to be working with Henry Boot on this exciting and inspiring journey to define, create and embed their refreshed Vision, Values, Behaviours and Henry Boot Way. Its a joy to be working with such enthusiastic and passionate people. Their commitment is a great testament to the importance they place on this work and the benefit they believe it brings for their people, business, stakeholders and shareholders."

Karen Dunn
Slic Solutions Limited

OUR STRATEGY

> ”In my first business review since taking over as Chief Executive Officer on 1 January 2016, I am very pleased to report that Henry Boot PLC has delivered yet another strong operational performance, financial result and earnings per share growth of 23%. Our strategy and the Company organisation remains unchanged, as do the key metrics by which we manage and monitor our business segments. 2017 has started well in all our businesses and we confidently look forward to a year of further progress.”

John Sutcliffe
Chief Executive Officer

Purpose

We express our purpose through our key objective which is to maximise long-term shareholder value.

Strategy to achieve our Purpose

We shall promote land, develop and prudently invest in high quality property assets, and provide construction activities for the longer term as explained by our Business Model. Our strategic priorities are flexible and regularly reviewed in order to deal with the vagaries of the economic cycle and with prudent borrowing levels we seek to ensure the long-term security of our asset base and the ability to pay dividends.

Business Initiative	How we’ll measure progress	How our model supports this
Provide growing long-term shareholder returns	— Shareholder value — Shareholders’ funds	— Long-term financial strength — Resources
Create regular revenue streams through retained property assets, rental income and construction activities	— Revenue — Return on capital employed — Investment property	— Construction — Property investment
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
Create long-term cyclical revenue potential and realisation through land promotion and property development	— Long-term revenue — Asset value creation	— Land promotion — Property development
Provide a long-term commitment to high levels of dividend cover	— Earnings per share — Dividend cover	— Long-term financial strength — Resources
Achieve a return on capital in excess of 10%	— Profit — Net assets — Return on capital employed	— Construction — Property investment — Property development — Land promotion
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

MARSTON MORETAINE, BEDFORDSHIRE

Hallam Land Management

The site of 61 acres was purchased in 2007 and we secured an allocation in the Central Bedfordshire (North) Site Allocations plan. This was adopted in April 2011. The allocation included three elements:

- Residential development for 125 dwellings
- 17 acres for employment uses
- A contingency residential site for 320 dwellings

An application for the 125 dwellings and the 17 acres of employment was submitted in December 2011 with permission issued in September 2013. The area for the 125 dwellings was marketed and sold to Bovis Homes, completing in June 2014. There was not sufficient market demand to sell the employment land.

By the start of 2014 the local authority's housing land supply position was slipping so it was thought appropriate to bring forward the contingency site and at the same time review the need for the large scale employment site. At the time the local community were also beginning a neighbourhood plan so we needed to undertake a high level of community engagement to bring the site forward in a different form to the planned allocation.

An application for 365 dwellings, 1.5 acres for a care home and 1 acre for business or community use was submitted in January 2015. The application was granted permission in December 2015. The sale of this second phase to Barratt David Wilson completed in June 2016.

Read about **Land Promotion** on pages 24 and 25

MARKHAM VALE, DERBYSHIRE

Read about **Property Investment and Development** on pages 26 and 27

Henry Boot Developments

Markham Vale, our 200 acre employment park being developed in partnership with Derbyshire County Council, saw the continued acceleration of development activity with over 700,000 sq ft of new warehousing developed in the year. The 480,000 sq ft distribution unit, pre let to Great Bear Distribution Limited and forward funded by M&G, is the largest unit developed on the park to date, and following its completion in mid 2016, Great Bear contracted to purchase a second 480,000 sq ft unit which will be delivered in 2017. The national distribution warehouse, comprising 225,000 sq ft of space, for German automotive parts company, Ferdinand Bilstein, was also substantially completed by the end of the year to programme and contracts for a further two units were being finalised at the end of the year with both schemes expected to be delivered over the subsequent year.

ABERDEEN EXHIBITION AND CONFERENCE CENTRE

Henry Boot Developments

Following the grant of detailed planning permission, development and funding agreements were unconditionally concluded with Aberdeen City Council at mid-year enabling the development of the 800,000 sq ft conference and exhibition centre, which incorporates a 10,000 seat performance venue and 200 room, four-star hotel, to commence on site. The 130 acre site will also eventually include a 400,000 sq ft business park and a further two hotels, the first of which is already under contract and will open in parallel with the exhibition centre. The initial phase of development, funded through the City Council, represents an investment of over £330m and is expected to be completed in 2019, enabling the existing exhibition centre to relocate to this new facility adjacent to Aberdeen International Airport. We remain actively involved in the subsequent business park development in partnership with the City Council and will also be responsible for bringing forward the redevelopment of the existing 50 acre AECC site to the north of the city for a mixed residential and commercial scheme once the relocation has taken place in 2019.

WHARFEDALE VIEW, YEADON, WEST YORKSHIRE

Read about **Construction** on pages 28 and 29

Henry Boot Construction

Henry Boot Construction successfully delivered the project to build the flagship Wharfedale View for Leeds City Council, an extra care housing scheme in Yeadon. The project was secured through the YORbuild Framework.

The 45 self-contained apartments are part of the first council owned and managed extra care scheme in the city.

Henry Boot continued to invest in and develop Building Information Modelling (BIM) through the scheme. The Henry Boot design team modelled the project utilising AutoCAD Revit software. They also developed 4D simulations which were used for progress reporting and to utilise BIM tools on a live project.

LANCASTER UNIVERSITY, LANCASHIRE

Henry Boot Construction

Henry Boot Construction has been selected as contractor for the £9m spine remodelling project at Lancaster University. Enabling works have already commenced following completion of demolition and site preparation.

The works include the removal of existing canopies and supporting brickwork to provide improved pedestrian flow. Alongside the construction works, Henry Boot Construction will also be implanting an extensive landscape and urban strategy.

The scope of the project spans from the Great Hall to the George Fox building, and the construction works are being phased over 18 months with completion in early 2018.

FINANCIAL KPIs

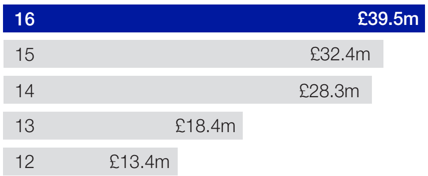
Each business segment within the Group is required to establish targets at the beginning of each financial year. This allows us to establish a broad range of financial indicators.

KPI | Performance | Future Aims

Profit before tax

Definition

A profitability measure that takes looks at a company's revenue less all interest and operating expenses except for income tax.



A 22% increase as higher levels of property development generated additional profits.

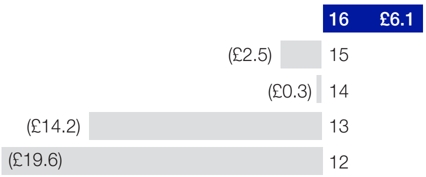
Objective

To increase profit levels over time.

Cash generation

Definition

Money available for reinvestment after all other costs of operating have been paid.



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

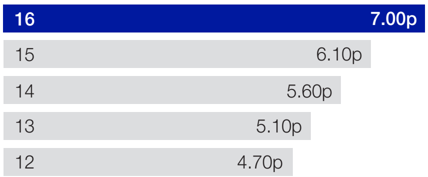
Objective

To monitor cash generated over time.

Dividends per ordinary share

Definition

A portion of company earnings paid to Shareholders.



A 15% increase to 7.00p as we continue to move dividends to new record high levels.

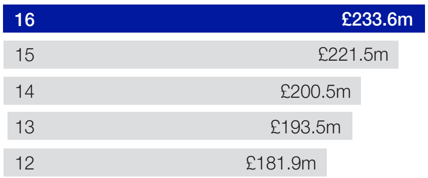
Objective

To generate growing shareholder returns over time.

Net assets

Definition

The value of company's assets less it's liabilities.



A 5% increase to net assets achieved by retained earnings from higher profits offset by dividends paid and an increase in the pension scheme deficit.

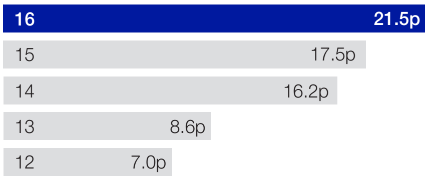
Objective

To grow the asset base over time.

Earnings per ordinary share

Definition

The portion of company profits allocated to each outstanding share of common stock.



A 23% increase due to higher retained profits helped by additional returns from property development.

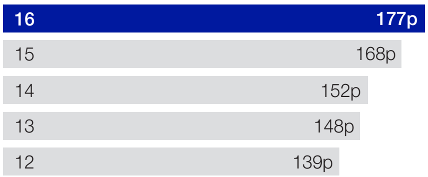
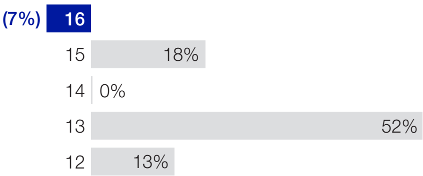
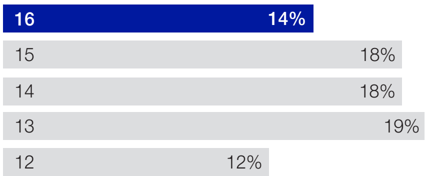
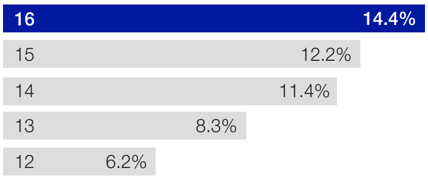
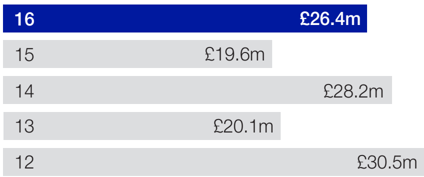
Objective

To increase returns over time.

Read about **Risks and Uncertainties** on pages 34 to 38

Read about **Our Strategy** on page 16

Read the **Financial Review** on pages 30 to 33

KPI		Performance	Future Aims
NAV per share **Definition** The portion of company net assets allocated to each outstanding share of common stock.		A 5% increase during the year, little change to share capital; therefore, benefits from the increase in retained earnings.	**Objective** To increase shareholder value over time.
Shareholder return **Definition** The share price appreciation combined with dividends paid shown as an annualised percentage.		Share price reduced 10.0% over the year, which coupled with the increase in dividends, gave rise to a return over the last three years of 9.4%.	**Objective** To generate growing shareholder returns over time.
Gearing levels **Definition** The ratio of net debt to equity.		Reduced following returns from property development. May increase during 2017 as we reinvest in land sites and property development.	**Objective** To monitor levels of cash required over time.
Return on capital employed **Definition** The ratio of earnings before interest and tax to capital employed (total assets less current liabilities).		We continue to achieve a healthy improvement in returns on utilised capital and will continue to monitor this area for improvement.	**Objective** To increase returns on capital employed over time.
Pension scheme deficit **Definition** A scheme's liabilities outweighing assets; additional money required to pay all pension benefits.		A 35% increase in the deficit due to a further fall in the discount rate applied to future liabilities, despite Company contributions and an excellent performance from the scheme's assets.	**Objective** To reduce the pension scheme deficit over time.

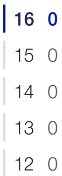
NON-FINANCIAL KPIs

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 as necessary.

KPI | **Performance** | **Future Aims**

Accident frequency rate (AFR) – employees

Definition
Incidents reportable to the Health & Safety Executive.



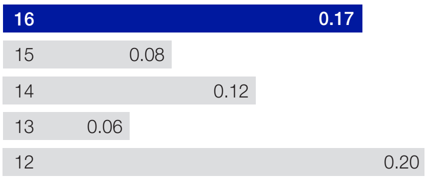
Performance: Another successful year of zero reportable incidents affecting our directly employed staff.

Objective
To ensure a reducing number of reportable health and safety incidents.

Target
Zero incidents and to exceed industry standards.

Accident frequency rate (AFR) – including subcontractors

Definition
Incidents reportable to the Health & Safety Executive.



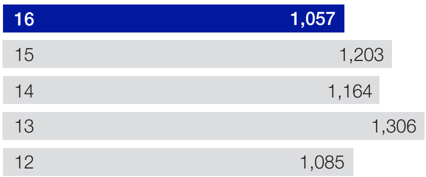
Our ongoing education of our subcontractors and partners, and the closer monitoring of their working practices continues. This year was below our high standards but equivalent to competitors and industry standards.

Objective
To ensure a reducing number of reportable health and safety incidents.

Target
Zero incidents and to exceed industry standards.

Personal development (days)

Definition
Development days provided by the Group.



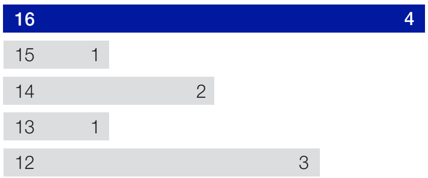
A slight decrease in the number of development days, reflective of structural change within resources. New policies now in place for learning and development.

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

Target
To exceed 2016 figure.

Reportable accidents

Definition
Incidents reportable to the Health & Safety Executive.



It is an ongoing priority and focus of the Group to commit to ensuring health and safety is paramount. 2016 saw an increase in reportable incidents.

Objective
To ensure a reducing number of reportable health and safety incidents.

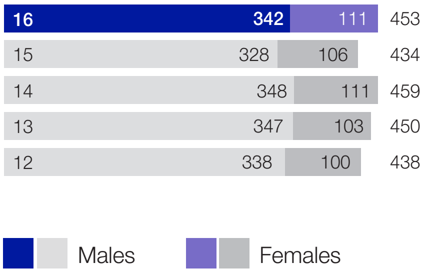
Target
Zero incidents and to exceed industry standards.

KPI | **Performance** | **Future Aims**

Employee profile

Definition
The gender balance percentage between all our employees.

Employee figures as at 31 December 2016



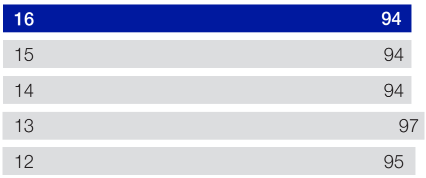
We have a gender split of 75% male to 25% female. This has altered during 2016 as we work closely with partners to encourage under-represented groups into the industry.

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

Target
All individuals should be treated fairly and have access to equal opportunities.

BITC Environmental Index (%)

Definition
Measuring environmental management and performance.



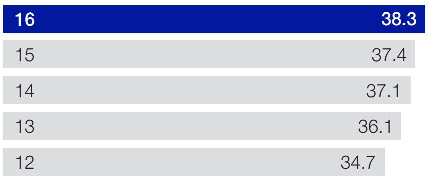
Due to a realignment in the scoring process two years ago, we are now classed as Gold status. This has been maintained for three years now.

Objective
To be acknowledged by a recognised body as being a leader in environmental management.

Target
Regain Platinum status.

Considerate Constructor Scheme

Definition
Promote and achieve best practice under the Code of Considerate Practice.



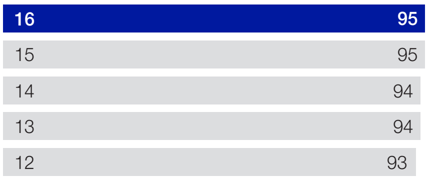
A slightly improved score again in 2016. Improvement has been made for six years in a row in the five scoring categories.

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

Target
Top score of 50.

Recycling – diverted from landfill (%)

Definition
To minimise the environmental impact from our business operations.



We have continued to achieve a minimum recycling rate of 95%.

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

Target
To achieve a minimum recycling rate of 95%.

Read about our **Corporate Responsibility** on pages 39 to 45

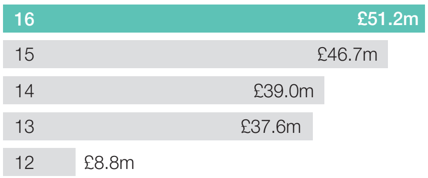
LAND PROMOTION

Our business model in action: Creating long-term cyclical revenue potential and realisation through strategic land promotion for a variety of different land uses.

> **"During the year we sold 16 sites comprising 1,609 plots, coupled with land having consent for employment use. We secured new planning consents for some 5,800 plots during the year and at the end of 2016, we held a portfolio of 16,417 plots with planning consent."**
>
> **Nick Duckworth**
> Hallam Land Management Limited

Total revenue **+10%**

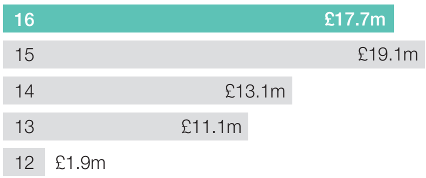
£51.2m



16	£51.2m
15	£46.7m
14	£39.0m
13	£37.6m
12	£8.8m

Profit before tax **-7%**

£17.7m



16	£17.7m
15	£19.1m
14	£13.1m
13	£11.1m
12	£1.9m

See the **Land Promotion** Case Study on page 17

Hallam Land Management Limited

Hallam Land Management Limited, our strategic land promotion business increased both the acres of land it held in its portfolio and the number of consented plots it had on that land, charts on page 25 show the year end position.

2016 started very positively. Ahead of the EU referendum, Hallam Land had exchanged or completed the bulk of its 2016 budgeted sales which ultimately resulted in a pre-tax profit of £17.7m (2015: £19.1m). Furthermore, we exchanged several sites for completion in 2017 and 2018. For the UK house builders, the uncertainty caused by the referendum vote initially created a slowdown in land acquisition, however, through the autumn, they re-entered the land buying market, albeit with increased hurdle rates in less attractive locations. In the early months of 2017, house builders continued to show strong interest in high quality sites and good market areas. The recent Housing White Paper is broadly supportive of increased delivery of housing, albeit with a focus on the affordable end of the market.

During the year, we sold 16 sites comprising 1,609 residential plots, coupled with land having consent for employment use at Lutterworth and Bridgwater and land consented for a public house at Cranbrook, Exeter. We secured new planning consents for some 5,800 plots during the year and at the end of 2016, we held a portfolio of 16,417 plots with planning consent, a 36% increase on 2015. Our total land interests at 31 December 2016 were 11,888 acres (2015: 11,061 acres), of which 2,405 acres (2015: 1,982 acres) had planning consent with a further 1,078 acres (2015: 1,160 acres) allocated for residential development; the remainder we are promoting through the planning permission and allocation process.

Key Projects

The first six months of the year saw the disposal of two successful schemes at

Kettering and Marston Moretaine. The East of Kettering scheme sits within the 5,500-unit strategic urban extension for the town and outline planning consent was granted in 2015. As is often the case with large, strategic sites, in order to successfully dispose of development land once outline consent has been achieved, a significant amount of time and resource needs to go into delivering the relevant service infrastructure to enable house builders to build houses. In early 2016, final collaboration agreements were secured with the service providers and owners of the wider site, allowing 174 plots to be sold to Barratt with provisions that require them to service our retained land, comprising 264 plots.

The second significant sale of 2016 was at Marston Moretaine, a site which we have owned since 2007 with a first tranche sold in 2013. In September 2016, we completed a second tranche for 180 plots, and a third tranche of 183 plots is contracted for sale in 2017.

Though no further residential land was sold at Cranbrook (the 3,500-unit new community outside Exeter), residential sales values remained strong and we expect to see a further land sale here in 2018. At Kingsdown, our urban extension at Bridgwater, the decision to build Hinckley Point nuclear power station brought with it increased interest in the site. A parcel of consented employment land was sold to the Homes and Communities Agency to progress a starter homes scheme, and a conditional contract was entered into with Persimmon for 130 plots, which we expect to complete in 2017.

During 2016, we obtained a significant planning consent, subject to Section 106 agreement, at Didcot for a 2,170-unit scheme which sits within a 4,200-unit housing site. We anticipate making significant progress on this scheme during 2017, with a first, part-disposal expected in 2018. The Didcot area has a strong housing market with good potential for family housing well within commuter distance of London.

Outlook for 2017 and beyond

2017 has started well with 850 plots exchanged for sale as we entered the year, and a further 290 plots exchanged with completion subject to detailed planning consent. A further two sites are close to exchange and we hope to complete these sales during 2017.

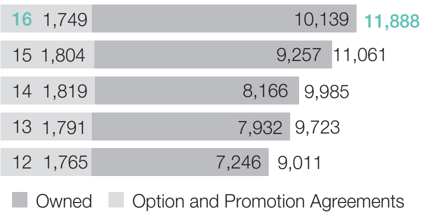
We expect the house builders to remain cautious about the implications of the EU referendum and, therefore, selective when purchasing land, however, we have entered the year in a strong position. We have a strong land portfolio with a substantial number of sites available for sale and, at this stage, we anticipate that 2017 will be another year of steady progress.

Pictured A full planning permission has been finalised at Buxton for 375 plots, with a sale agreement in place with a national developer.

Land bank +8%

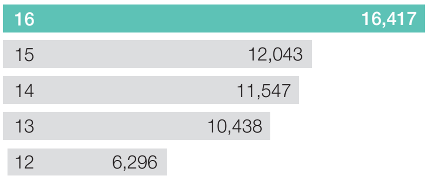
(acres)

11,888



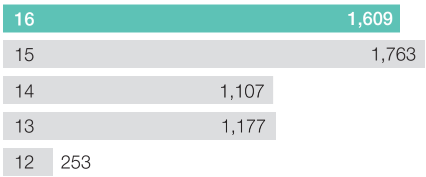
Plots with planning permission +36%

16,417



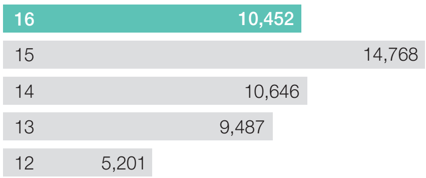
Number of plots sold -9%

1,609



Plots in planning process -29%

10,452



PROPERTY INVESTMENT AND DEVELOPMENT

Our business model in action: Investment assets giving year on year recurring revenue, with property development creating long-term cyclical revenue.

> “We significantly increased our residential activity in the year, starting four material projects. The conversion of the listed Terry’s chocolate factory in York into 165 apartments is progressing well.”

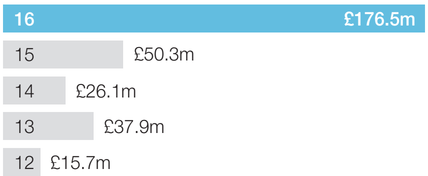
David Anderson
Henry Boot Developments Limited

> “We continue to strengthen the future site portfolio and now have some 675 plots either secured or under option.”

Darren Stubbs
Stonebridge Projects Limited

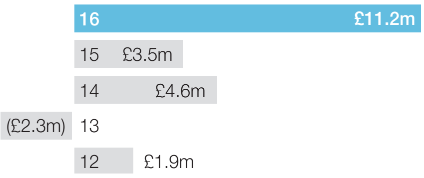
Total revenue **+251%**

£176.5m



Profit before tax **+220%**

£11.2m



See the **Property Investment and Development** Case Studies on page 18

Henry Boot Developments Limited

Henry Boot Developments, our commercial development business had one of its busiest ever years in 2016. Of particular significance was the finalisation of development, funding and contractor agreements for the new 800,000 sq ft exhibition and conference centre, 10,000 seat performance venue and a 200-bed, four-star hotel for Aberdeen City Council. The construction of this initial phase, costing £333m, began in mid-2016 and is currently progressing on programme.

During 2016, we developed over 875,000 sq ft of new, pre-let and pre-sold, largely industrial space and, furthermore, agreed terms on a further two million sq ft, most of which is expected to start or be completed in 2017, including a second 480,000 sq ft distribution warehouse for Great Bear at Markham Vale. We also completed at Markham Vale a 480,000 sq ft distribution unit, pre-let to Great Bear Distribution Limited, and a 225,000 sq ft unit for automotive parts distributor, Ferdinand Bilstein. Further smaller lettings and sales were concluded at our industrial parks at Thorne and Salford.

We continue to maintain a broadly based development pipeline, with over 80,000 sq ft of retail warehousing completed at Belper, Derbyshire, and in Livingston town centre, benefiting from pre-let agreements with Aldi, B&M Retail and Dunelm. We also commenced the construction of a 110,000 sq ft Head Office scheme for Atkins PLC in Epsom.

We significantly increased our residential activity in the year, starting four material projects. The conversion of the listed former Terry’s chocolate factory in York into 165 apartments is progressing well. We concluded 89 sales in the second half of the year and anticipate completing that part of the scheme in 2017. In Manchester city centre, we secured planning permission for a 540-unit private rented sector (PRS)

development, which triggered unconditional development and funding agreements and the site purchase. We expect the building phase of this scheme to begin mid-2017. In Bristol, in partnership with a local student housing operator, we completed the conversion of a former office building to create a fully let, 86-bed student residential scheme to complement the 100-unit scheme in which we already hold an interest. In Skipton, we obtained outline planning permission for a 30-acre mixed residential and commercial development and, by the year end, had agreed terms for the sale of the residential land element.

Though we saw a significant increase in development activity in the year, we were able to pre-fund projects including the warehouse schemes at Markham Vale, the PRS residential development in Manchester, the office HQ development in Epsom and the retail warehouse scheme in Belper, as well as the initial phase of development in Aberdeen, amounting to over £600m in total. Therefore, internal funding was only required for a number of our smaller projects, helping us maintain prudent gearing levels within the Group.

As well as delivering the major schemes noted above we also secured high quality, future development opportunities. By December 2016, we had obtained planning permission and commenced initial infrastructure works at the 50-acre Airport Business Park in Southend, developed jointly with Southend Borough Council. We entered into a joint venture agreement for a strategic site in Huyton, Merseyside, adjoining the M57/M62 motorway junction, and purchased a high yielding city centre office investment in Bath, which has potential as a future residential conversion opportunity.

Outlook for 2017 and beyond

Contractual terms are in discussion or have been agreed on a number of projects which we expect to bring into our portfolio during 2017, providing us with a range of future development opportunities.

Stonebridge Projects Limited

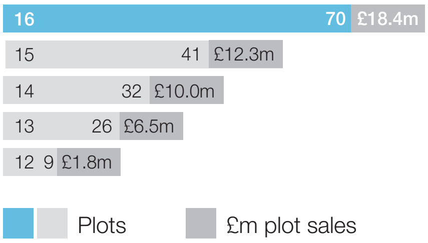
Stonebridge Projects, our jointly owned housebuilding company, completed 70 sales in the year, up from 41 in 2015, having begun to complete sales on both the Headingley and Stocksbridge sites. We continue to strengthen the future site portfolio and now have some 675 plots either secured or under option. We are targeting 100 sales in 2017 and, subject to obtaining the necessary permissions, anticipate further progress in 2018.

Rental income -7%

£6.7m

Number of plots sold (Stonebridge Projects) +71%

70 plots £18.4m



Pictured Far Left Darren Stubbs (left) and David Anderson (right).

Pictured Above Work commenced on the new Head Office for Atkins PLC in Epsom.

Pictured Below Aerial view of Victoria Gardens in Leeds, a development of 101 plots.

CONSTRUCTION

Our business model in action: Creating regular revenue to enable long-term funding relationships with financial partners.

> “Following completion of the £35m Fox Valley retail park at Stocksbridge, we commenced phase one of the £35m Better Barnsley town centre regeneration scheme. We are also delivering work for Manchester City Council at Piccadilly Gardens, our first project through the North West Construction Hub framework.”

Simon Carr
Henry Boot Construction Limited

> “Banner Plant had a very successful year. Our power tool depot in Ossett, West Yorkshire, successfully completed its first year of trading.”

Giles Boot
Banner Plant Limited

> “Financially, the contract performed well in the year with traffic volumes slightly ahead of 2015.”

Trevor Walker
Road Link (A69) Limited

Profit before tax +11%

£11.0m

16	£11.0m
15	£9.9m
14	£10.1m
13	£9.0m
12	£8.6m

See the **Construction** Case Studies on page 19

Henry Boot Construction Limited

Henry Boot Construction specialise in serving both public and private clients in all construction sectors, including civil engineering.

After a good start, Henry Boot Construction exceeded targeted profit levels for 2016. It is also pleasing that the business started 2017 with a contracted workload of almost 90% of its forecast activity, the healthiest order position seen in recent years.

Following completion of the £35m Fox Valley retail park at Stocksbridge, we commenced phase one of the £35m Barnsley town centre regeneration scheme. In addition, we are delivering Snowhill Retail Park for Kier Property and a new spa facility at Rudding Park Hotel, Harrogate, which will be completed in the first half of 2017.

Within the civil engineering sector, we commenced work on: the Olympic Legacy Park and the Advanced Manufacturing Park, both for the University of Sheffield; a multi-storey car park for B. Braun in Sheffield; and we continue to be a major supply chain partner on the 25-year, Amey PFI Sheffield Highway Scheme. Finally, we are working with Stonebridge Projects to deliver infrastructure works on schemes in Leeds and Stocksbridge and are refurbishing the former Leeds Girls High School for residential use.

We are carrying out structural works to six tower blocks for Leeds City Council through the YORbuild framework and were appointed in 2016 to the new YORbuild2 North of England local authority framework. We are also delivering work for Manchester City Council at Piccadilly Gardens, our first project through the North West Construction Hub framework.

In the health and social care sectors we delivered a 60-unit extra care housing scheme for Leeds City Council and a residential block for St Wilfrid’s Charity in Sheffield. In 2017 we will deliver a further 60-unit extra care scheme for Newark & Sherwood Homes and have won a place on the Sheffield Teaching Hospitals NHS Trust framework.

In the education sector, we were awarded the Spine Remodelling project for Lancaster University, the Mappin Street Building refurbishment for the University of Sheffield and phase one of the University of Hull Sports Facility development. We have also completed an over-roof project for the University of Huddersfield, the refurbishment of the Management School for the University of Sheffield and the refurbishment of the Grade II listed St Helena's campus for the University of Derby.

We remain cautious regarding risks to construction activity due to the UK's decision to leave the EU, price pressures on imported materials caused by exchange rate volatility and EU related skilled labour pressures. However, the business has a good blend of both private and public sector clients across a wide range of building and civil engineering sectors, giving us a good base to weather this market uncertainty.

Health and Safety

Health, Safety and Environmental management remains of paramount importance and we are fully committed to actively finding ways of eliminating risks and incidents. We were, therefore, delighted that for the fifth consecutive year, our construction related accident frequency rate (AFR) for the directly employed workforce was zero. This strong commitment to our health and safety management culture resulted in us winning a prestigious RoSPA Gold Medal Award for seven continuous years of Gold Award achievements.

Banner Plant Limited

Banner Plant had a very successful year with turnover up 4.4%, net profit up 3.6%, and net margin remaining strong at 11.6%. Confidence in our markets saw capital investment increase, with a 7.8% growth in the hire fleet. Our power tool depot in Ossett, West Yorkshire, successfully completed its first year of trading and on 3 April this year we announced the acquisition of Premier Plant and Tool Hire Limited (see note 14 on page 116).

All the individual departments contributed to what was a record profit for the business, however, we did see geographical variations in demand. Derby and North Derbyshire saw only modest activity growth, whilst West and South Yorkshire were more buoyant.

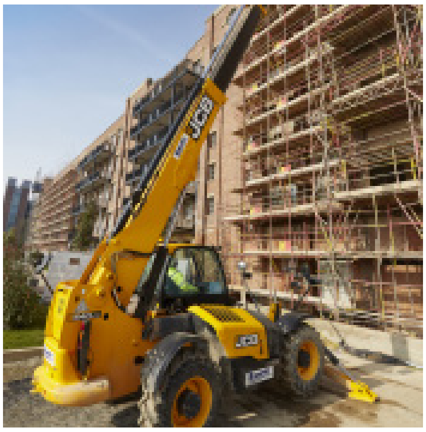
The key challenges within plant hire are the higher capital costs resulting from the weaker pound, recent clean engine technology requirements and the recovery, through increased hire rates, of these higher equipment costs.

Road Link (A69) Limited

The PFI contract to run the A69 trunk road between Carlisle and Newcastle has completed 21 years in operation and has nine years to run. Financially, the contract performed well in the year with traffic volumes slightly ahead of 2015. Weather conditions during 2016 proved to be relatively benign and the road operated normally throughout the year.

Outlook for 2017 and beyond

The constituents of the Construction segment continue to provide very stable returns from a low level of capital employed. We do not expect that this will change in 2017 and the year has started well. The contractual workload brought into the year is encouraging, the plant business contract count is currently running slightly ahead of 2016 and, at this stage, we expect another solid performance from this segment of the Group.



External revenue

£84.4m

16	£79.4m
15	£79.5m
14	£82.4m
13	£78.5m
12	£79.0m

Pictured Far Left Giles Boot (left), Simon Carr (centre) and Trevor Walker (right).

Pictured Above A JCB Loadall capable of lifting 4 tonnes, part of our evolving Banner Plant fleet.

Pictured Left Our latest project with Sheffield University, 'The Management School'.

FINANCIAL REVIEW

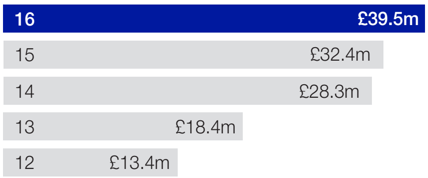
These excellent Group results are a real credit to the talented people within our business and those within the businesses with which we engage.

> **"Our mix of business streams continues to demonstrate the benefits of this broad-based operating model working together to the benefit of our Group."**

Darren Littlewood
Group Finance Director

Profit before tax **+22%**

£39.5m



Read the **Chairman's Statement** on pages 06 and 07

Key highlights of our financial performance in 2016

- Profit before tax increased by 22% to £39.5m
- Basic earnings per share increased by 23% to 21.5p
- Dividends per ordinary share for the year increased by 15% to a record 7.00p
- Return on capital employed increased by 18% from 12.2% to 14.4%

Our long-term strategic approach to land promotion and property development has again generated results ahead of management expectations, coupled with our construction activities, these excellent Group results are a real credit to the talented people within our business and those within the businesses with which we engage. Against the current backdrop of economic uncertainty, we have never had greater clarity of our future land transactions or the property development and construction order books we hold.

Consolidated Statement of Comprehensive Income

Revenue increased 74% to £306.8m (2015: £176.2m) resulting from increased activity within the property development market from the commencement of the new conference and exhibition centre for Aberdeen City Council and sales of residential apartments at the former Terry's chocolate factory in York. Gross profit increased 17% to £62.3m (2015: £53.3m) and reflects a gross profit margin of 20% (2015: 30%), due primarily to: lower margins on larger development schemes and providing for a loss-making contract we commenced in the year. Administrative expenses saw an increase of £0.7m, resulting from expected increases in staff costs, we also anticipate further modest increases going forward as we continue to invest across all operating segments to support the higher levels of operational activity. Pension related costs increased £0.1m (2015: £0.5m) as we increased the lower auto-enrolment contributions offset by reductions in the defined benefit scheme service cost. Property revaluation losses of £1.8m (2015: £2.0m) arose from positive movements in the fair value of certain existing and newly completed investment properties of £3.9m, offset by the recognition of valuation deficits on certain other properties amounting to £5.7m; most notably, a small trade park site and a development site impacted by the closure of a large adjoining retail unit which continue to prove difficult to redevelop profitably. Overall, operating profits increased 25% to £39.5m (2015: £31.7m) and, after adjusting for net finance costs and our share of profits from joint ventures and associates, we delivered a profit before tax of £39.5m (2015: £32.4m), an increase of 22%.

The segmental result analysis shows that property investment and development produced a significantly improved operating profit of £15.1m (2015: £7.3m) arising from the Aberdeen and York schemes noted above. Land promotion operating profit decreased slightly to £18.6m (2015: £20.0m) as the prior year benefited from higher returns on the disposal of land we owned. Construction segment operating profits increased to £10.3m (2015: £8.9m) after positive results from all three businesses within this segment. Our mix of business streams continues to demonstrate the benefits of this broad-based operating model working together to the benefit of our Group. Whilst we have greater foresight surrounding the future, deal-driven transactions from our land promotion and property development businesses, financial results can vary significantly from year to year, however, these fluctuations are mitigated by the relatively stable returns from the Construction segment.

Tax

The tax charge for the year was £8.9m (effective rate of tax: 23%) (2015: £7.5m and effective rate: 23%), this again arises because the net investment property revaluation deficit is not tax deductible until realised. We currently have a £2.7m unrecognised deferred tax asset (2015: £2.3m) which can be utilised to offset future capital gains as they arise. Current taxation on profit for the year was £8.9m (2015: £5.6m), with the 2016 charge benefiting from joint venture profits which are included net of tax offset by the non-deductible property revaluation deficit. The deferred tax charge was £0.04m (2015: £1.87m), arising due to the elimination of any property revaluation deferred tax asset and no deferred tax asset arising on the increased pension scheme deficit due to contributions having exceeded cumulative charges to the income statement.

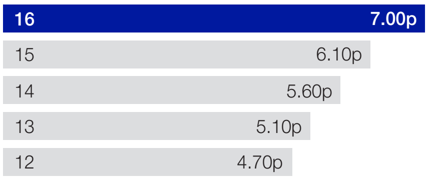
Pictured Residential plot sales now exceed 1,200 at Cranbrook near Exeter.

Revenue +74%

£306.8m

Dividends per ordinary share +15%

7.00p



Earnings per share and dividends

Basic earnings per share was 23% higher at 21.5p (2015: 17.5p). Dividends payable for the year increased by 15% to 7.00p (2015: 6.10p), with the proposed final dividend increasing 18% to 4.50p (2015: 3.80p), payable on 30 May 2017 to shareholders on the register as at 28 April 2017. The ex-dividend date is 27 April 2017.

Return on capital employed (ROCE)

Increased pre-tax profits in the year helped ROCE(1) improve to 14.4% in 2016 (2015: 12.2%). We continue to review our strategic target rate of return and, given that we are currently able to forward fund and sell property development, a target return of 12%-15% is considered appropriate in the current operating environment. We will continually monitor this important performance measure over the business cycle, given the potential for market conditions to change quickly.

(1) ROCE is calculated as operating profit divided by, total assets less current liabilities.

Finance and gearing

Net finance costs increased to £1.5m (2015: £0.2m) due to a specific property development financing arrangement concluded in the prior year, and 2016 saw a return to a position which reflects our net debt levels. Average borrowing rates were similar to those of the previous year although overall interest costs may increase slightly in 2017 as we utilise higher borrowings to support higher development activity. It is also possible that we will see a small rise in interest rates in 2017, although we do not believe this will result in a material change to borrowing costs. We expect to continue to invest in both our land and property development assets 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 28 times (2015: 23 times). No interest incurred in either year has been capitalised into the cost of assets.

We continue to hold an investment property portfolio of around £100m against which we can secure bank funding to allow us to undertake property development and land promotion, neither of which are easy to fund using bank debt. Our investment property assets continue to provide the key covenant support for our £60m banking facilities, which we extended in February 2017 by a further year moving the renewal date to February 2020. In addition, we have a £5m revolving loan facility within Stonebridge Projects, our joint venture house builder. This loan is secured against house build work in progress and allows us to continue to grow activity in this business.

2016 year-end net debt fell by £6.0m to £32.9m (2015: £38.9m) helped by cash generated from operations. Gearing on net assets of £233.6m fell to a conservative 14% (2015: net assets £221.5m; gearing 18%). Total year-end net debt includes £7.6m (2015: £8.6m) 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. Throughout the year we operated comfortably within the facility covenants and continue to do so.

Statement of cash flows

During 2016, we increased operating cash flows before movements in working capital by £9.2m to £40.6m (2015: £31.4m) and, after a net investment in working capital of £12.0m (2015: £26.2m), cash generated from operations was £28.5m (2015: £5.2m). Our investment in working capital shows a significant reduction during the year arising from the start of a number of large pre-sold and forward funded property developments, allowing us to recover our initial land and planning investment at an early stage in the build process. Cash outflows from investing activities of £2.4m (2015: inflow of £6.9m) arising from disposals of £9.9m (2015: £23.4m) of investment property and property, plant and equipment sales, offset by new investment of £13.4m (2015: £17.2m) in new property development, plant purchases and investments in joint ventures and associates. Dividends paid, including those to non-controlling interests, totalled £10.6m (2015: £9.7m), with dividends paid to equity shareholders increasing by 9%.

Statement of financial position

Investment property and assets classified as held for sale were valued at £124.7m (2015: £125.3m). The fair value of completed investment property, including assets held for sale, was £102.0m (2015: £103.7m) and the value of investment property under construction within investment property was £22.7m (2015: £21.6m) as we develop these assets into investment properties.

Intangible assets reflect the Group's investment in Road Link (A69) of £4.9m (2015: £5.8m). The treatment of this asset as an intangible asset is a requirement of IFRIC 12 and arises because the

Pictured A 480,000 sq ft distribution warehouse completed for Great Bear at Markham Vale in Derbyshire.

underlying road asset reverts to Highways England at the end of the concession period. Property, plant and equipment comprises Group occupied buildings valued at £6.5m (2015: £6.9m) and plant, equipment and vehicles with a net book value of £15.4m (2015: £14.1m); this increase arose from continued investment in new plant and plant delivery vehicles. Non-current trade and other receivables have reduced to £5.6m (2015: £10.5m) due to a net decrease in long-term housebuilder land sale payment plans. Investments in joint ventures and associates increased to £5.1m (2015: £3.8m) as we continued to invest in property development projects with other parties where we feel there is a mutual benefit to be gained. The non-current deferred tax asset increased because of the higher IAS 19 pension deficit. In total, non-current assets reduced to £166.5m (2015: £170.7m).

Within current assets, inventories were £137.9m (2015: £138.9m) and saw further investment in the land portfolio to £107.9m (2015: £106.8m) although, property development work in progress decreased to £30.0m (2015: £32.1m). Trade and other receivables increased to £66.9m (2015: £54.4m) resulting from land sales completions late in 2016. Cash and cash equivalents reduced to £7.4m (2015: £12.0m) but was again a result of cash received in December which could not be offset against short-term borrowing at that time. In total, current assets increased to £213.3m (2015: £205.4m).

Current liabilities decreased to £105.9m (2015: £116.6m) as the portion of debt classed as current decreased to £33.3m (2015: £42.8m), helped by recoveries made on property development inventories. Trade and other payables decreased to £61.1m (2015: £64.4m), resulting from lower payments on account relating to construction contracts. Provisions increased to £6.7m (2015: £5.7m) as previously classified non-current provisions moved to current and continue, in the main, to relate to infrastructure planning obligations on two land development schemes.

Pictured Planning permission granted for a 50,000 sq ft office development at 'The Silk Works', Manchester.

Net current assets increased to £107.4m (2015: £88.8m). This increase is predominantly due to increased debtors, reduced creditors and lower borrowings as we operate at a generally higher level of activity and profit throughout the Group. Non-current liabilities increased to £40.4m (2015: £37.9m) after IAS 19 pension liabilities increased to £26.4m (2015: £19.6m).

Net assets increased by 5% to £233.6m (2015: £221.5m) as the increase in retained profits was offset by the increase in the pension deficit and treasury share purchases. Net asset value per share increased 5% to 177p (2015: 168p).

Pension scheme

The IAS 19 deficit at 31 December 2016 was £26.4m compared to £19.6m at 31 December 2015 and was directly affected by a further fall in the discount rate applied to future liabilities to 2.8% (2015: 3.8%), despite the Company's contributions and an excellent performance from the pension scheme's assets. As we have noted in previous years, the application of a 4% discount rate would result in a negligible deficit and the 2016 scheme asset return was comfortably ahead.

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; they then make changes, as the trustees consider appropriate, in conjunction with investment advice from KPMG.

Darren Littlewood
Group Finance Director

21 April 2017

MANAGING OUR RISK

Effective risk management is essential to the achievement of our key objective and strategic initiatives. Risk management controls are integrated across all levels of our business and operations.

The Group operates a system of internal control of risk management and operates a risk management framework. 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 listed below.

Read about the **Risk Management Framework** on page 60

Risk and description	Mitigation	Change during the year
Health & Safety **Inherent risk within construction activity**	— Priority consideration of all Group and subsidiary board meetings — Robust training, policies, procedures and monitoring — OHSAS 18001 approved Health & Safety management system — Internal independent Health & Safety department that 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. 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**	— 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 — Construction environmental risk is managed through the operation of an ISO 14001 approved environmental management system — 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	↓

Risk and description	Mitigation	Change during the year
Development **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 — Larger developments pre-sold	↓
Development **Construction and tenant risk which is not matched by commensurate returns on development projects**	— Construction projects, including returns and cash flows, are monitored monthly by subsidiary company management teams — Seek high level of pre-lets prior to authorising development — Development subject to a 'hurdle' profit rate — Shared risk with landowners where applicable	↓
Land **The inability to source, acquire and promote land would have a detrimental effect on the Group's strategic land bank and income stream**	— Monthly operational meetings detail land owned or under control, new opportunities and status of planning — Each land acquisition is subject to a formal appraisal process which must exceed the Group-defined rate of return and is subject to approval by the Group's Executive Directors — Land bank of nearly 12,000 acres with aspiration to grow further — 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	↓
Land **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 choosey regarding what they buy and will target prime locations	↔
Planning 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: ↑ Rise ↓ Fall ↔ Remain

Read about **Our Strategy** on page 16

Read about our **Business Model** on pages 10 to 13

Read about **Health and Safety** on page 43

RISKS AND UNCERTAINTIES CONTINUED

Risk and description	Mitigation	Change during the year
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 165 sites in progress throughout the UK — Sites are typically greenfield and of a high quality	↔
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 increased when unemployment falls and labour markets contract — 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 run to February 2020 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 tradeable if required — We have a record of recycling assets into funding for new developments	↔

Risk and description	Mitigation	Change during the year
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 of over 30 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	— 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 is closed to new members. 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 quoted investments including pooled diversified growth funds — 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	↔
UK exit from European Union The announcement of the UK exit from the European Union resulted in exchange rate fluctuations and material price inflation. As we move through the process we could see further price inflation, reduced market confidence, restrictions to the supply of labour and increased economic uncertainty	— A large proportion of raw materials are sourced from within the UK — Strong history of performance and close working relationships with customers encourages confidence — Many subcontractors utilise locally sourced labour — Weakness in sterling encourages outside investment — Markets currently remain strong and the Group is UK focused	↑
Cyber Security Unauthorised access to systems, hacking, malware and distributed denial of service could all lead to data loss, business disruption, reputational damage or financial loss	— Employee awareness updates distributed routinely — Use of software and security products and regular updates thereof — Detailed disaster recovery plans — External vulnerability and threat management review	↑

Key: ↑ Rise ↓ Fall ↔ Remain

RISKS AND UNCERTAINTIES CONTINUED

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

Henry Boot PLC's business model and strategy can be found on pages 10 and 16 in the Financial Statements. These documents are central to the understanding of the long-term business model and we have operated the current business model successfully over the past 15 years, and have a 130-year unbroken history. The nature of the Group's activities tends to be very long-term, especially in the land promotion business, and the Group's strategy and experience in this sector has been built up over many years. Over the last 11 years, the Group has reported an average profit before tax of £24m per annum, added almost £85m to net assets (an increase of some 55%) and paid 53p per share 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. Analyst 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 prepared prior to the commencement of the current financial year and re-forecasting takes place each month throughout the financial year within each business and is consolidated at Group level. The two succeeding years are also forecast, using predominately 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 and investment property rentals cover 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 £60m) and we have pre-sold a significant proportion 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 for more than 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 2020.

Pictured Right: Having raised over £25,500 for The Master Cutler's Challenge in Sheffield, we received an award for 'Most Innovative Fundraiser'.

CONFIDENCE AND TRUST

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.

What does Corporate Social Responsibility mean to Henry Boot?

Our commitment to being a sustainable business underpins everything that we do; this ethos is fully integrated into our day-to-day operations and it is of the utmost importance for us to demonstrate to our stakeholders our approach and its impacts.

We consistently review and address the key social, ethical and environmental impacts of our operations in a way that aims to bring value to all our stakeholders; our programme supports our approach of acting responsibly whilst we continue to grow, with continuous improvement lying at the heart of our business.

A responsible company is one which will succeed and continue to grow and develop; during 2016 we have worked collaboratively to realign our values and behaviours to develop a cohesive framework: 'One Henry Boot'. This will be rolled out in 2017 and will be included in our annual report for that financial year.

> "Henry Boot is a great place to work and we are all proud to work here. Our customers sing our praises too, commenting that we go the extra mile and that we can be depended on to do a great job."
>
> **John Sutcliffe**
> Chief Executive Officer

During 2016 we launched a key internal communications plan which gave priority to involving all our employees with shaping our business going forward. Through our Speak Up and Speak Out campaigns we have encouraged our employees and other stakeholders to develop and discuss ideas to improve our ways of working (Speak Up) and have reiterated our commitment to deal with issues which may cause our employees concerns by renaming our confidential helpline (Speak Out).

We also joined BITC (Business in the Community) who will be working with us throughout 2017 to develop our Responsible Business Strategy to support both our business strategies and One Henry Boot; this project sits with the Operational Board to ensure consistency in approach and deployment within all our operating businesses.

We continue to face a number of challenges; we must continue to act fairly and responsibly, ensuring all our stakeholders are provided with a safe environment in which to work and making positive progress by trading responsibly and being a great employer.

Rachel White
Head of HR

PEOPLE

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

> "I was so surprised when I was ushered in to the Boardroom with everyone there to help celebrate my 80th birthday. I love working at Banner Cross Hall. It is always enjoyable and I would get bored at home. All the staff are so pleasant and kind, I look after them and they look after me."
>
> **Pauline Dungworth**
> Canteen Assistant

Pictured Pauline Dungworth celebrating her 80th Birthday with colleagues at Banner Cross Hall.

Read about the **One Henry Boot** project on pages 14 and 15

Our approach

Employee engagement and employee satisfaction are crucial to 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 core values.

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

We have established policies for recruitment, learning 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 be able to develop rewarding careers and want to stay with us, and we recruit and promote from within wherever possible.

As our businesses continue to develop and 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 the UN's Guiding Principles on Business and Human Rights. Protecting and preserving human rights is embedded in our culture and is fundamental to our core values. This is reflected in our policies relating to anti-corruption, diversity, and whistleblowing, coupled with our actions towards our people, suppliers, clients and the communities in which we operate.

Modern slavery

We recognise our responsibilities in relation to our wide and varied supply chains, and we actively engage with our suppliers to ensure that they share our core values and comply with relevant legislation. We support and welcome the introduction of the Modern Slavery Act 2015; this legislation is in line with and complements our core 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 human trafficking activities.

Read more details at
www.henryboot.co.uk

Diversity and inclusion

The approach of Henry Boot PLC is underpinned by our belief that all individuals should be treated fairly and should have access to equal opportunities regardless of their status. Our Equality & Diversity Policy states that no prospective employee should receive less favourable treatment on the grounds of, amongst other characteristics, disability. We have continued the employment, wherever possible, of any person who becomes disabled during their employment with us, and opportunities for learning, career development and promotion do not operate to the detriment of disabled employees.

Gender pay equality

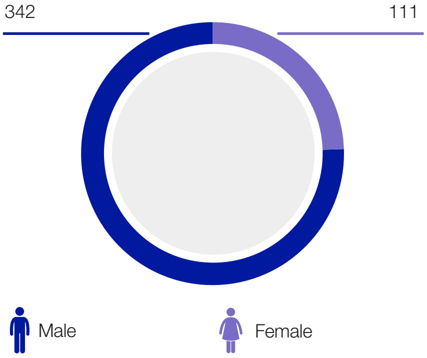
In advance of the adoption of the Equality Act 2010 (Gender Pay Information) Regulations 2017, which will place an obligation on us to report on our gender pay gap, we commissioned a report based on our 2016 data to establish our baseline early.

Our gender pay gap is currently 29.9%, which for Henry Boot is reflective of the ratio of men and women employed at just over 3:1 rather than an issue relating to how we pay our people.

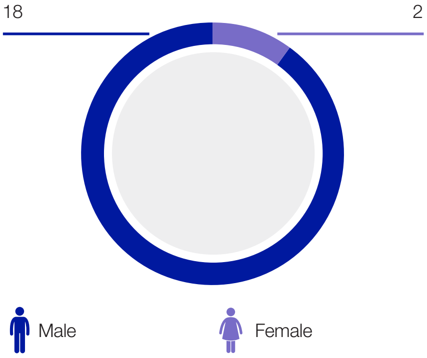
We have a disproportionate number of women in all roles and therefore our data is skewed; we believe that without a representative increase in the number of women we employ, the gap will be difficult to reduce. We have a number of our high profile female employees involved in initiatives to encourage women into construction and its associated industries; we also have a number of employment policies in place around flexible working which we hope will see our gender split decrease over time and have a positive impact on our gender pay gap.

Pictured Henry Boot Construction won the Team of the Year award for the University of Derby, St Helena campus project at this year's Efficiency East Midlands Building Communities Awards.

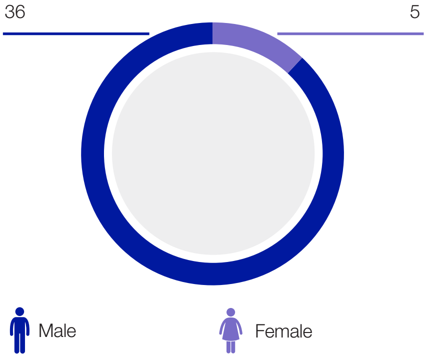
All employees



Directors



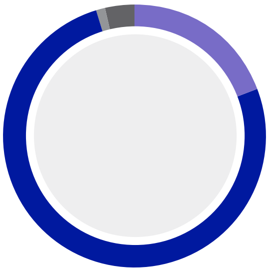
Senior managers



All figures are at 31 December 2016

CORPORATE RESPONSIBILITY CONTINUED

As at 31 December 2016 the active membership of the pension arrangements stood at (employees):



■	The Henry Boot Staff Pension & Life Assurance Scheme	87
■	Henry Boot PLC Group Stakeholder Pension Plan	342*
■	Road Link (A69) Limited Pension Plan	5
■	Stonebridge Projects Limited Pension Plan**	15

* 47 employees within this total have invested their residual salary from The Henry Boot Staff Pension and Life Assurance Scheme into the Henry Boot PLC Group Stakeholder Pension Plan

** Now a category within the overall Henry Boot PLC Group Stakeholder Pension Plan.

Our pension arrangements

During 2016 we continued to operate two pension schemes; employees are members of either The Henry Boot Staff Pension and Life Assurance Scheme (defined benefit pension 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 pension).

Employees who are members of The Henry Boot Staff Pension and 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 and Life Assurance Scheme.

In 2016, we also offered our Henry Boot PLC Group Stakeholder Pension Plan to Stonebridge Projects Limited employees in advance of their auto-enrolment date of February 2017.

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

Our performance

As part of our push for excellence amongst our employees, we have robust recruitment procedures in place. Continuing from 2015 we saw a further increase in levels of recruitment in 2016 across all our businesses, and are cautiously optimistic about the future. Our turnover remains low at 12.4%.

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

In 2016 we delivered 1,057 (2015: 1,203) taught training days; in addition to this and in recognition of the diverse range of skills within our workforce there was also an unquantifiable amount of ad-hoc learning and development which takes place on a daily basis on our sites, in our offices and depots. In response to employee requirements and the further development and enhancement of e-learning provision we now deliver a range of courses by this medium which allows our employees to refresh specific technical skills from their desks.

In 2016 we recruited 15 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. Our preferred succession planning method is one of in-house development and growth; consequently we also have a number of experienced employees enrolled on formalised education programmes to enhance their skills and knowledge in anticipation of career development and promotion within the business in which they operate.

We anticipate an increase in the number of apprentice recruits in 2017 primarily as part of our succession plans but also in response to the introduction of the Apprenticeship Levy.

HEALTH AND SAFETY

A fundamental commitment of the Company is to ensure that the health, safety and welfare of the Company's employees, stakeholders and the wider public is safeguarded.

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 to 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; we are delighted to report that for another year our Accident Frequency Rate (AFR) for our directly employed employees is again zero.

We have seen an increase in hours worked contributing to an increase in our AFR to 0.17 per 100,000 hours worked including our subcontractors (2015: 0.08); whilst any increase is disappointing we are pleased to report that our Accident Incidence Rate (AIR) per 100,000 workers is above industry average at 84%.

As a further check to ensure the Company processes and procedures are robust, and to test our procedures to the limit, we commissioned a 'mock trial' which was facilitated by law firm Nabarro LLP. Undertaken in Autumn 2016, all key decision-makers within our operational businesses, Managing Directors, Directors and Non-executive Directors were included in the process. A full 'de-brief' was held with those involved to communicate and discuss the outcome and learn points from this.

Following on from our commitment in 2015 to the IOSH No Time to Lose campaign, in 2016 we supported the Breathe Freely campaign which is a collaborative initiative led by BOHS in partnership with key organisations within the construction industry. The provision of a healthy working environment is one of our key objectives and we are fully committed to supporting the campaign's aim of raising awareness of the causes of work-related ill health and disease, continuing to raise awareness and sharing best practice to collectively help improve well-being and reduce occupational lung disease within the construction industry.

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

> **"We have modernised our overall ethos toward health and safety strategy. We recognise the need for health and safety to be incorporated into our wider holistic approach to operations and we empower our people to work within this framework"**
>
> **Brendon Keown**
> Group Health, Safety and Environmental Manager

Awards

2016
RoSPA
Gold Medal Award

Considerate Constructors
2016 SILVER

OUR COMMUNITIES

We are dedicated to supporting our communities both where we are based and throughout our UK-wide operations.

Our approach

As a Group we contribute to the social and economic impacts to the communities in which we operate. 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.

Our areas of focus are:

- Charities and organisations local to our business operations;
- Charities and organisations that support educational improvements for children/adults;
- 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 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 £65,130 (2015: £32,600) to charitable causes; £15,580 of which was through our Give As You Earn payroll giving mechanism (2015: £13,078). In addition, we also raised a total of £2,458 for a variety of charities through Dress Down Fridays at our Sheffield office.

We again 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 for charities nominated by the incumbent Master Cutler; in 2016 the charities were St Luke's Hospice and Rotherham Hospice.

Following on from our 2015 total of £10,120.69, the organising Committee attempted to double this total. We were delighted to raise £24,558.82 in six short months and were recipients of an award for Most Innovative Fundraising for our salary donation idea.

During the summer of 2016 Henry Boot Construction Limited and Banner Plant Limited teamed up with The Sheffield Children's Hospital Charity in order to safely deliver, as logistics donor, the art installation 'Herd of Sheffield', which was a total of 58 elephants all painted by different artists and installed as a trail around Sheffield. Henry Boot sponsored two elephants: Henry the Constructor which was painted by Deven Bhurke and Heard Sheffield? by Temper. All the elephants were auctioned and raised a fantastic £410,600, with our elephants being auctioned for £5,000 and £7,800 respectively. Whilst we were unsuccessful in our own bids at auction, we were delighted to receive a bespoke small version of Henry the Constructor, renamed Dave, after our colleague Dave Woodhouse who coordinated our logistical efforts, as a thank you from The Sheffield Children's Hospital Charity.

Pictured A well-earned rest and refreshment with 'Henry the Constructor' safely in place at the Botanical Gardens, Sheffield.

ENVIRONMENT

We are committed to protecting and enhancing the environment in the course of all our areas of operations and are proud of our team's expertise and enthusiasm in making this happen.

Our approach

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.

Our greenhouse gas emissions for the year ended 31 December 2016 were calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (2011 edition) and emission factors from UK Government GHG Conversion Factors for Company Reporting 2016.

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 increased by 2% when compared with those of the previous year, this equates to zero movement on tonnes per employee.

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

Read more details at
www.henryboot.co.uk

Henry Boot Group CO_2 footprint by source

Henry Boot Group CO_2e emissions	**2016 Tonnes**	2015 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities	**2,060**	2,048	↑
Scope 2: Electricity, heat, steam and cooling purchased for own use	**1,133**	1,122	↑
Total direct emissions	**3,193**	3,170	↑
Total direct emissions per employee[1]	**7.2 tonnes CO_2e**	7.3 tonnes CO_2e	↓
Scope 3: Upstream and downstream indirect emissions	**952**	908	↑
Total emissions	**4,145**	4,078	↑
Total emissions per employee[1]	**9.4 tonnes CO_2e**	9.4 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	**2016 Tonnes of CO_2e**	2016 Intensity Ratio Tonnes of CO_2e	2015 Tonnes of CO_2e	2015 Intensity Ratio Tonnes of CO_2e	Intensity Basis	Trend
Property investment and development	1,076	2.5	1,021	2.11	per 1,000 sq ft of investment property with communal areas	↑
Land development	117	3.56	114	3.44	per employee	↑
Construction	2,765	34.83	2,776	34.9	per £1m of turnover	↓
Group overheads	187	3.53	167	3.21	per employee	↑
Total gross controlled emissions	4,145		4,078			

> **"We are committed to the highest levels of environmental management best practice to minimise the environmental impact of our business. Construction activities operate to an Environmental Management System, approved to ISO 14001, which ensures that the environmental impacts of the business are minimised on every project resulting in exemplar environmental credentials and performance."**
>
> **Richard Grafton**
> Head of Policy & Compliance

GOVERNANCE

Pictured A CGI of our proposed joint venture £250m Kampus Manchester development, building works have commenced on site.

BOARD OF DIRECTORS

2015 and January 2016 saw the appointment of Jamie Boot as Chairman, three new Non-executive Directors and promotions within the Executive team. The new Board team has worked productively together over the course of the year.

Chairman

Executive Directors

1	**JAMIE BOOT** Chairman
2	**JOHN SUTCLIFFE** Chief Executive Officer
3	**DARREN LITTLEWOOD** Group Finance Director

Non-Executive Directors


4


5


6


7


8

4 **JOANNE LAKE**
Deputy Chairman

5 **JAMES SYKES**
Non-Executive Director

6 **GERALD JENNINGS**
Non-Executive Director

7 **PETER MAWSON**
Non-Executive Director

8 **RUSSELL DEARDS**
Company Secretary

Read the biographies on pages 50 and 51

BOARD OF DIRECTORS

JAMIE BOOT

Chairman

Current Role

Non-executive 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. Trustee Director of Henry Boot Pension Trustees Limited acting as trustee for The Henry Boot Staff Pension and Life Assurance Scheme.

Past Roles

Group Finance Director from October 2006 to December 2015. 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. John also relays subsidiary strategy back to the main Board. He is also Director responsible for all health, safety and environmental matters.

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

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

Committees

Nomination, Audit and Remuneration (Chairman).

Additional Roles Held

Non-executive Chairman of Mattioli Woods plc, Non-executive Director of Gateley (Holdings) Plc, Non-executive Director of Morses Club PLC, Non-executive Director of Accrol Group 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

Chairman and 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.

GERALD JENNINGS

Non-Executive Director

Current Role

Non-executive Director since October 2015.

Committees

Nomination, Audit and Remuneration.

Additional Roles Held

Non-executive Chairman of Social Communications (Leeds) Limited, 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.

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

Non-executive Chairman of Nexus Planning Limited, Non-executive Chairman of Infinite Global Consulting Holdings Limited.

Past Roles

Chief Executive of Donaldsons LLP and Chief Executive of West Northamptonshire 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.

RUSSELL DEARDS

Company Secretary

Current Role

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

Additional Roles Held

Company Secretary of the Company's four principal operating subsidiaries. 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.

Brings to the Board

Russell qualified as a solicitor in 1991 and now has over 25 years' experience in law with 11 years in the property and construction industries.

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 29 years. Simon is a private sector board member of the Sheffield City Region Local Enterprise Partnership, the Sheffield City Region Housing Executive Board and Sheffield City Region Transport Executive Board. He is the immediate past chair of the National Federation of Builders and also sits on the CBI Construction Council. Simon is also a Non-executive Director of Wildgoose Construction Limited.

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 £25m. In 2010 he formed a new house builder and property company, Stonebridge Projects Limited, which is a jointly owned company with Henry Boot PLC.

TREVOR WALKER

Road Link (A69) Limited

Appointment Date
General Manager in 2005.

Brings to the Role
Trevor Walker, IEng MICE, 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.

WELCOME TO OUR CORPORATE GOVERNANCE REPORT

I am very pleased to present my first annual report on our corporate governance approach and structure.

> **"I believe that strong governance within Henry Boot keeps the Company true to its historic identity, promotes the values of today, and supports and protects our vision for the future."**
>
> **Jamie Boot**
> Chairman

I was appointed Chairman on 1 January 2016 after being the Group Managing Director for 29 years. You place trust in me and my fellow Board members and we are committed to providing effective leadership and high ethical standards.

I believe that strong governance within Henry Boot keeps the Company true to its historic identity, promotes the values of today, and supports and protects our vision for the future. I am responsible for the leadership of the Board and ensuring that it operates effectively. The Board itself has clearly defined roles for each member. The Executive Directors have overall responsibility for the implementation of strategy and the Non-executive Directors constructively challenge management and monitor the implementation of the strategy within its risk and control framework. 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 markets in which we operate.

There have been many changes to the regulatory framework in which we work and the Board has had to consider a number of issues.

Modern Slavery Act

The Board has assessed the effect of the Modern Slavery Act on its processes, procedures and contracts in addition to our relationships with suppliers and contractors. Our Modern Slavery Act statement can be viewed on our website www.henryboot.co.uk. Our approach is reviewed on an annual basis.

Market Abuse Regulation

The Board has reviewed the impact of the Market Abuse Regulation including its treatment of inside information; the relationship with our stockbrokers and analysts; the obligations of Persons Discharging Managerial Responsibilities; and the Company's share dealing code. We have taken appropriate measures to ensure compliance with the implementation of the EU Market Abuse Regulation which came into effect from 3 July 2016.

Brexit

The Board are ever mindful of the effects of Brexit on the UK, as the Government have now triggered Article 50 to commence the exit process. Our business operations are based in the UK but we are fully aware of, and continue to monitor and evaluate possible impacts on the Company as Brexit finally becomes a reality.

I am pleased to confirm that you have a strong and experienced Board managing your Company. We act in accordance with the principles of good governance and in your best interests.

This report sets out our governance structures, processes and the work undertaken by the Board and its Committees throughout 2016.

Jamie Boot
Chairman
21 April 2017

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.

During the accounting year 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 has been correctly applied.

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 absolute objective. Instead, 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 53 to 60.

The Board

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

The Board consists of seven Directors, two of whom are Executive Directors, and the remaining five, including the Chairman, are Non-executive Directors. All Directors served throughout 2016. Biographies are shown on pages 50 and 51.

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 statement of purpose, business model and 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 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 Operations Board established in January 2016 focuses on Group working, inter company co-operation and risk. This board consists of the Chief Executive Officer, Group Finance Director, and Company Secretary together with the four prime subsidiary company Managing Directors and the Managing Director of Stonebridge Projects Limited, our jointly owned house builder.

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;
- promoting the long-term success of the Group;
- capital structure and ensuring funding adequacy; and
- effective internal controls.

At its regular Board meetings there is a series of matters that are dealt with, including a health and safety review, a finance review including pensions, operational reviews on all the main trading subsidiaries and a secretarial review encompassing corporate governance, risk, shareholder matters, legal, 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.

How the responsibilities of the Board are divided

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;

— operational responsibility for managing the Group's financial affairs, including treasury and tax matters;

— attends the Operations Board meetings; and

— acts as a 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 Officer

— 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 Operations Board;

— acts as Chairman of the subsidiaries and attends the subsidiary board meetings;

— 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;

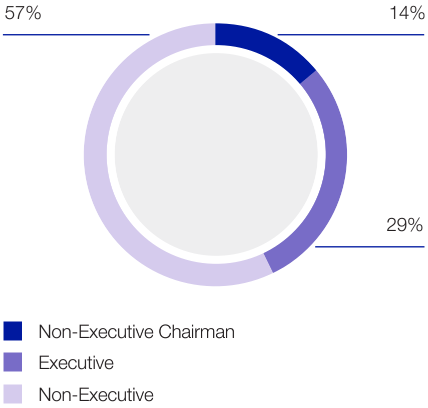
— attends and maintains a record of the matters discussed and approved at Board and Committee meetings;

— attends Operations Board meetings; and

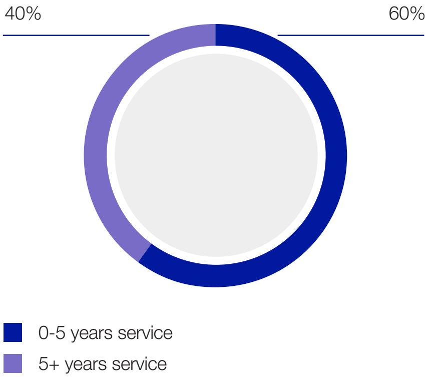
— Company Secretary of the subsidiaries and attends at the subsidiary board meetings.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Board composition



Non-Executive board tenure



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, which in 2016 was held off-site in September. 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, one Nomination Committee meeting, one Remuneration Committee meeting and the AGM were held in 2016. Attendance at the Board meetings and Committee meetings held during 2016 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. The Non-executive Directors learn more about the business from a number of site visits throughout the year as well as meetings with department heads of Henry Boot PLC and subsidiary company directors. 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 61 to 74 and such details form part of this Corporate Governance Statement.

Member	Role	Board	Audit	Remuneration	Nomination
Jamie Boot[1]	**Non-executive Chairman**	**7/7**	**2/2**	**1/1**	**1/1**
John Sutcliffe[2]	**Chief Executive Officer**	**7/7**	**2/2**	**–**	**–**
Darren Littlewood[3]	**Group Finance Director**	**7/7**	**2/2**	**–**	**–**
Joanne Lake[4]	**Deputy Chairman and Non-executive Director**	**7/7**	**2/2**	**1/1**	**1/1**
Gerald Jennings	**Non-executive Director**	**7/7**	**2/2**	**1/1**	**1/1**
Peter Mawson[5]	**Senior Independent Non-executive Director**	**7/7**	**2/2**	**1/1**	**1/1**
James Sykes	**Non-independent Non-executive Director**	**7/7**	**2/2**	**1/1**	**1/1**

1. Jamie Boot was appointed Non-executive Chairman of the Company on 1 January 2016 (having retired from his previous position as Group Managing Director of the Company).
2. John Sutcliffe was appointed Chief Executive Officer of the Company on 1 January 2016 (having relinquished his previous position as Group Finance Director of the Company). Attends the Audit Committee meetings by invitation.
3. Darren Littlewood was appointed Group Finance Director of the Company on 1 January 2016. Attends the Audit Committee meetings by invitation.
4. Joanne Lake was appointed Deputy Chairman of the Company and Chairman of the Remuneration Committee on 1 January 2016.
5. Peter Mawson was appointed Senior Independent Non-executive Director of the Company and Chairman of the Nomination Committee on 1 January 2016.

Board effectiveness

The roles of Chairman, Jamie Boot, and the Chief Executive Officer, John Sutcliffe, 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 55.

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.

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. 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 succession planning. Further leadership development training is now being planned and rolled out.

Board balance

The names, responsibilities and other details of each of the Directors of the Board are set out on page 50 and 51 with the composition of the Board on page 55. The Board believes it has an appropriate balance of Executive and independent Non-executive Directors having regard to the size and nature of the business. Jamie Boot was appointed Non-executive Chairman and is regarded as non-independent. The Board viewed this appointment as deemed appropriate due to Jamie's longevity of service, extensive knowledge and experience within the Henry Boot Group. James Sykes was appointed to represent the substantial shareholdings of the Reis family interests (see page 76) and is not regarded as an independent Non-executive Director. The combination of the experience and calibre of the Non-executive Directors collectively, having regard to their diverse backgrounds, experience and their varying lengths of service, further enhances this balance and mitigates risk.

Board independence

The Company recognises the importance of its independent Non-executive Directors remaining independent throughout their appointment. It enables them to provide objective advice and guidance to the Executive Directors through their wider business experience and diverse backgrounds.

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 Chairman and Senior Independent Non-executive Director 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 Chairman. The Non-executive Directors meet without the Chairman to discuss the performance of the Chairman at least twice a year.

A formal performance evaluation of the Executive Directors is carried out at least on an annual basis and there was a formal evaluation of the Board and its Committees in 2016.

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. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve the Company's business objectives as 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 the Chief Executive Officer. 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, accounts and payroll, company secretarial, pensions, legal, human resources and training, public and investor relations, corporate communications, 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.
- **operations board** — the Operations Board is a forum for discussing risk and sharing best practice.

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 clear analysis of:

- the development and performance of each subsidiary company's business during the financial year; and
- the position of each subsidiary 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.

Read about our **Internal Control** and **Risk management framework** on page 60

Whistleblowing arrangements

The Company has operated a 'whistleblowing' policy and arrangement for many years so that 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 policy is continually monitored and reviewed. An updated policy was issued to all Group employees in 2016. 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 81. The Independent Auditors' Report is given on pages 84 to 89.

The Directors' statement in respect of the business as a 'going concern' is provided in the Directors' Report on page 75.

Fair, balanced and understandable

The Board have assessed the tone, balance and language of the Annual Report and Financial Statements, being mindful of the requirements of the UK Corporate Governance Code and the need for consistency between the narrative section of the document and the Financial Statements. The Board's formal statement on the Annual Report and Financial Statements being fair, balanced and understandable is contained within the Statement of Directors' Responsibilities which can be found on page 81.

Shareholder relations

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.

The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2016, proxies were received representing 71.77% of the number of shares in issue, and is a demonstration of shareholders' active involvement in the affairs of the Company.

Further information for shareholders can be found in the Directors' Report on pages 75 to 80.

Compliance Statement

The Company has complied with a 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 2016. The following provision is where the Company is not strictly in compliance with the Code. For the reason stated, the Directors believe that the Company's stance is justified in this respect.

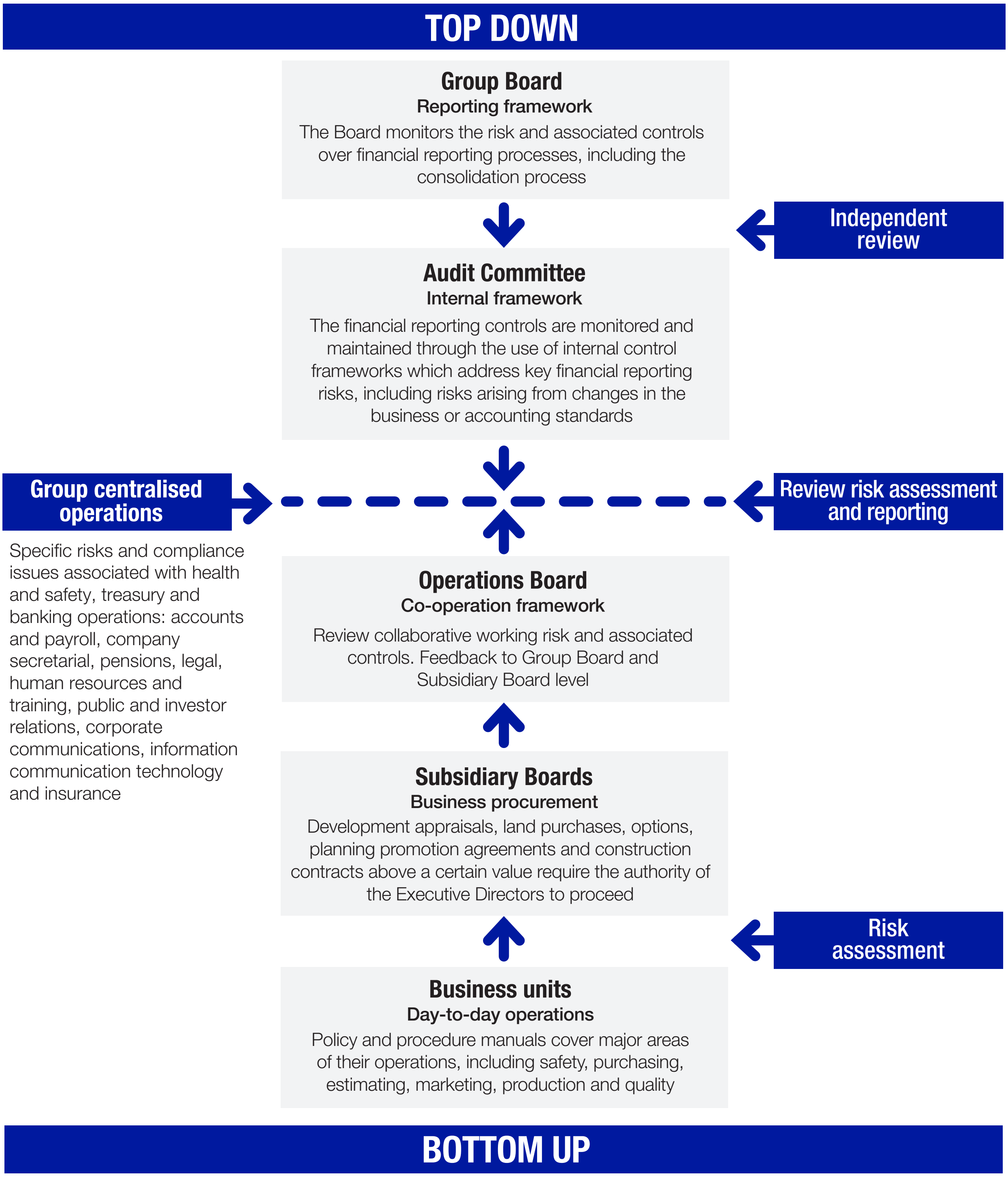
D.2.3

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 is the most appropriate approach.

Approved by the Board and signed on its behalf by

Russell Deards
Group General Counsel & Company Secretary
21 April 2016

The Group operates a system of internal controls and risk management in order to provide assurance that it is managing risk whilst achieving its business objectives. The table below depicts our internal controls and risk management framework.



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

Group centralised operations

Specific risks and compliance issues associated with health and safety, treasury and banking operations: accounts and payroll, company secretarial, pensions, legal, human resources and training, public and investor relations, corporate communications, information communication technology and insurance

Review risk assessment and reporting

Operations Board
Co-operation framework
Review collaborative working risk and associated controls. Feedback to Group Board and Subsidiary Board level

Subsidiary Boards
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

Read about **Risks and Uncertainties** on pages 34 to 38

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 2016 were Peter Mawson (Committee Chairman), Jamie Boot, Gerald Jennings, Joanne Lake and James Sykes. Biographies of the current members of the Committee are shown on pages 50 and 51.

Peter Mawson
Chairman of the Nomination Committee

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

The Nomination Committee plays a vital role within the business. It ensures that the Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

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. The terms of reference are reviewed by the Committee each year.

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

As a result of the changes at Board level in 2015 and the beginning of 2016, the Committee met only once during the year. Attendance at this meeting by the Committee members is shown in the table on page 56.

Nomination Committee matters are also discussed at each Board meeting.

Annual re-election by shareholders

The Company's Articles of Association 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 provision 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 pages 50 and 51.

NOMINATION COMMITTEE REPORT

Statement from the Chairman of the Nomination Committee

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 appropriate for the Group. The Committee is also responsible for long-term succession planning at both Board and key senior management level; taking into account the challenges and opportunities facing the Group, and the skills and expertise required by the Board in the future.

Board diversity

The Nomination Committee's primary goal remains to identify the most suitable candidates to join the Board and for other senior positions within the Group. However, it also seeks to ensure that in managing an appointment and in succession planning, it has regard to the benefits of diversity, including but not restricted to gender diversity and its impact on effective decision-making.

The Committee and the Board recognise the need to ensure that the business reflects a diverse workforce, at all levels of seniority, whilst always seeking to ensure that each post is offered to the best available candidate.

Accordingly, the Board has agreed not to impose a quota regarding gender balance, preferring instead to appoint strictly on merit.

The Committee will ensure that it only works with executive search firms which have signed up to the Standard Voluntary Code of Conduct addressing gender diversity and best practice.

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
21 April 2017

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 2016 were James Sykes (Committee Chairman), Jamie Boot, Gerald Jennings, Joanne Lake and Peter Mawson. Biographies of the current members of the Committee are shown on pages 50 and 51.

James Sykes
Chairman of the Audit Committee

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. The terms of reference are reviewed by the Committee each year.

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 results 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.

Meetings during the year

The Committee met twice during the year, with the Company's auditors in attendance for each meeting. The Chief Executive Officer and Group Finance Director were also present at these meetings and attend by invitation. 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 2016 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 2016.

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 38.

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 accuracy 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 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.

Services received during the year related to the Group's defined benefit pension scheme and the amount paid for these services equated to 13% of the amount paid for audit fees.

Having reviewed the new regulations set out in the EU Audit Directive and Audit Regulation 2014, which took effect from 17 June 2016, the Committee have appointed KPMG to provide the Groups taxation services for the year ended 31 December 2016 and thereafter.

In accordance with best practice, the Company also requires its external audit 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 committee is considered to be effective, with members having a broad mix of skills and experience to provide an appropriate level of challenge when debating the reports, statements and findings presented to them.

In reviewing the effectiveness of the external auditor, discussions took place between the Audit Committee, the Henry Boot PLC finance function and the subsidiary company management teams. The Audit Committee considers PricewaterhouseCoopers LLP to have conducted a high quality audit, having established effective working relationships and having a good understanding of the Group's business. 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 Henry Boot PLC audit was put out to tender seven years ago and PricewaterhouseCoopers LLP was awarded the work from a shortlist of four firms who tendered. 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 was satisfied with the scope of the external audit and with the work of the external auditors. Having reviewed all services provided to the Group by the external auditors the Committee are satisfied that the external auditors remain objective and independent.

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 Audit Committee are authorised to fix their remuneration.

Risk management and controls

Details of the key risks which the Group faces, 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 34 to 38.

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
21 April 2017

DIRECTORS' REMUNERATION REPORT

Statement from the Chairman of the Remuneration Committee

Those serving as members of the Remuneration Committee (the Committee) for the whole of 2016 were Joanne Lake (Committee Chairman), Jamie Boot, Gerald Jennings, Peter Mawson and James Sykes. Biographies of the current members of the Committee are shown on pages 50 and 51.

Joanne Lake
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 the Henry Boot PLC (the Company) Directors' Remuneration Report for the year ended 31 December 2016.

The cohesive and consistent strategy aimed at creating long-term shareholder value produced another strong result in 2016. The markets in which our various businesses trade were all continuing on an improving trend; however, these markets may still create issues for the imprudent or unwary operator and have to be managed with skill, care and confidence.

2016 proved to be an even better result for the Group than 2015, which in itself was the best performance since 2007 with:

- profit before tax increasing 22% to £39.5m;
- basic earnings per share increasing 23% to 21.5p;
- Return on Capital Employed increasing 180 bps to 14.4%;
- dividends for the year increasing 15% to 7.00p;
- dividend cover is now above our long-term goal of three times;
- our strategic land portfolio increased in size again to almost 12,000 acres with planning permission on over 16,000 units;
- we now have more active commercial developments in progress than at any stage since 2007;
- our construction business has a strong order book for 2017 and our plant hire business continues to operate at its highest level of utilisation than for many years.

Executive remuneration outcomes for 2016

In the current market conditions, the 2016 results, with a 22% increase in pre-tax profits, were very strong. In 2016 the combined overall remuneration of the Executive Directors, on a like-for-like basis reduced, by 15.2%, and 4.5% including the costs of our Non-executive Directors.

Salaries were increased by 6.9% at 1 January 2017 and by 3.0% at 1 January 2016 compared to an increase across the Company in total of 5.0%.

Bonuses were paid in line with the Remuneration Policy approved at the Annual General Meeting (AGM) in May 2015. Target profit was set at £29m. The profit before tax of £39.5m exceeds the target by 36.2% and gives rise to a bonus of 100.8% of salary for the year ended 31 December 2016.

In addition, the Remuneration Committee set 18 targets, which were the same for John Sutcliffe and Darren Littlewood. 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 85% of these targets resulting in a bonus of 8.5% of salary.

Therefore, the total bonus for each Executive Director is 109.3% of salary.

LTIPS vesting, based on performance for the three years to 31 December 2016, were granted in line with the Remuneration Policy adopted at the AGM in 2015. The performance criteria for these awards are:

i. up to 33.3% of the award is dependent on growth in Earnings Per Share being ahead of inflation;
ii. up to 33.3% of the award is dependent on the average Return On Capital Employed;
iii. up to 33.4% of the award is dependent on Total Shareholder Return compared with a comparator group of companies.

For these awards, the actual performance against the targets to 31 December 2016 was:

i. Earnings Per Share growth was 159% against the target of 10% (being inflation plus 7%) and therefore, this part of the award vests in full;

ii. Return On Capital Employed was 15% on average against the maximum target of 13% and therefore, this part of the award vests in full;

iii. Total Shareholder Return of 10.97% was below the median when set against the comparator group and therefore this part of the award does not vest.

Therefore, the award of LTIP shares to Jamie Boot is 61,744 shares, and John Sutcliffe 76,400 shares.

Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration Policy during 2016, the policy remains fully in line with that which was approved by shareholders at the AGM in 2015. The Remuneration Policy will be reviewed and updated and then put to a shareholder vote again at the AGM in 2018.

The application of Directors' Remuneration Policy for 2017

- With the exception of Darren Littlewood, the Executive and Non-executive Directors were awarded a 3.0% uplift in basic salary or fees for the year ending 31 December 2017, Darren Littlewood was awarded a 16.7% pay rise following a review by the Committee. The average across the workforce as a whole was 5.0%.
- The bonus opportunity for the Executive Directors 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 2017. Specifically, this will arise if the Committee considers that there has been a material mis-statement 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 2017.

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 2016. 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:

i. the Total Shareholder Return graph;

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

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

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

The information set out on pages 68 to 74 of the Directors' Remuneration Report is subject to audit.

Summary of the Committee's activity during 2016

During 2016 the Committee:

- considered Executive Directors' base pay and benefits for 2016 and 2017. Salary rises for the Executive Directors at 1 January 2016 were 3% and from 1 January 2017 have been set at 3% for John Sutcliffe and £25,000 (16.7%) for Darren Littlewood;
- conducted a review of the LTIP performance metrics and level of reward for the year under review;
- conducted a review of the performance of the Executive Directors for 2016 and against that background, set performance targets for 2017;
- considered and approved the remuneration packages for John Sutcliffe and Darren Littlewood with effect from 1 January 2017. For John Sutcliffe this was set at £387,523 and for Darren Littlewood set at £175,000. The Committee anticipate reviewing and uplifting the salary of Darren Littlewood each year for the next three 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:

Read more details at
www.henryboot.co.uk

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
21 April 2017

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 year.

Year ended 31 December 2016	**Salary and fees £'000**	**Taxable benefits £'000**	**Annual bonus £'000**	**Long-term incentives £'000**	**Pension related benefits £'000**	**Total £'000**
John Sutcliffe	**376**	**31**	**411**	**151**	**75**	**1,044**
Darren Littlewood	**150**	**24**	**164**	**–**	**29**	**367**
Jamie Boot	**80**	**–**	**–**	**122**	**–**	**202**
James Sykes	**42**	**–**	**–**	**–**	**–**	**42**
Joanne Lake	**42**	**–**	**–**	**–**	**–**	**42**
Gerald Jennings	**42**	**–**	**–**	**–**	**–**	**42**
Peter Mawson	**42**	**–**	**–**	**–**	**–**	**42**
	774	**55**	**575**	**273**	**104**	**1,781**

Year ended 31 December 2015	Salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term[1] incentives £'000	Pension related benefits £'000	Total £'000
Jamie Boot	365	30	385	128	73	981
John Sutcliffe	249	24	263	97	50	683
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	225	123	1,833

[1] The value of long-term incentives has been adjusted from the average share price for the period 1 October 2015 to 31 December 2015 of £2.26 to the price on the day the shares were issued of £1.97.

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.

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

Salary or fees	The amount of salary or fees received in the year.
Taxable benefits	The taxable benefits received in the year by Executive Directors.
Annual bonus	The value of bonus payable and the calculations underlying this are disclosed on pages 69 and 70.
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 2016 valued at the average share price over the last three months of 2016.
Pension related benefits	Pension related benefits represent the cash value of pension contributions or salary in lieu of contributions received by Executive Directors at a rate of 20% of salary.

Individual elements of remuneration

Base salary and fees

Executive Directors

Salary effective from	**1 January 2017 £**	1 January 2016 £
John Sutcliffe	**387,523**	376,236
Darren Littlewood	**175,000**	150,000

Over the years 2014 – 2017 basic salary increases for the Chief Executive Officer were 3.0%. For the Group Finance Director increases in 2014 and 2015 were 3.0%. At 1 January 2016 Darren Littlewood was appointed Group Finance Director and received a remuneration package which the Committee anticipate reviewing and uplifting over the years 2017-2020 at a rate of £25,000 per annum. Average salary increases for the wider employee population were 3.8% from 1 January 2015, 4.4% from 1 January 2016 and 5.0% on 1 January 2017.

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 2017 £**	1 January 2016 £
Jamie Boot	**82,400**	80,000
James Sykes	**43,709**	42,436
Joanne Lake	**43,709**	42,436
Gerald Jennings	**43,709**	42,436
Peter Mawson	**43,709**	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 Independent Non-executive Director. Any newly appointed Independent Non-executive Director is expected to serve for an initial period of at least three years. Terms and conditions of appointment relating to Non-executive Directors are available for inspection at the registered office of the Company.

Bonus

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

Any bonus amounts are paid in cash and are subject to malus and deferral provisions within the scheme.

Summary of bonuses earned for 2016

Measure	**Maximum award as % of salary**	**Targets and bonus potential for 2016**			**Actual performance**	**Actual bonus value achieved (% of salary)**	
		% of target	2016 target range	Bonus payable as % salary		**John Sutcliffe**	**Darren Littlewood**
Profit before tax	110%	90%	£26.1m	10%	£39.5m	**100.8%**	**100.8%**
		100%	£29.0m	50%			
		120%	£34.8m	90%			
		150%	£43.5m	110%			
Personal objectives	10%	See commentary on page 70				**8.5%**	**8.5%**
Bonus amount achieved as % salary						**109.3%**	**109.3%**
Bonus amount earned						**£411,226**	**£163,950**
Maximum bonus as % salary						**120%**	**120%**
Bonus amount achieved as % maximum						**91.1%**	**91.1%**

Bonuses were paid in line with the Directors' Remuneration Policy approved at the AGM in May 2015. Target profit was set at £29m, 16% ahead of the target set in 2015. The Remuneration Committee also set 18 individual targets, which were the same for John Sutcliffe and Darren Littlewood. These covered financial measures such as the achievement of individual subsidiary budgets, cash flow generation and health and safety and environmental measures, a measure related to positive investor feedback, and litigation risk. The Remuneration Committee considers that the Executive Directors achieved 85% of these targets resulting in a bonus of 8.5% of salary. The profit before tax of £39.5m exceeds the target by 36.2% and this, combined with the personal targets, gives rise to a bonus of 109.3% of salary for the year ended 31 December 2016.

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:

Read more details at
www.henryboot.co.uk

31 December 2017 bonus targets

Profit before tax performance: 10% of salary payable on achieving 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 maximum of a further bonus of 20% of salary may become payable.

The profit before tax target is deemed to be commercially sensitive and therefore will be disclosed retrospectively in the 2017 Directors' Remuneration Report.

Personal objectives: up to an additional 10% of salary may become payable to Executive Directors upon the achievement of a number of personal objectives.

The objectives measured will be based on actions and achievements which contribute to delivery of Group strategy.

Long Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2014, based on performance for years 2014, 2015 and 2016, which are expected to vest in June 2017. The LTIP shares in this award are subject to the following performance criteria:

i. EPS growth ahead of inflation: EPS growth was 159%, which exceeded RPIJ growth by more than 156% and therefore this 33.3% of the award became eligible;

ii. Average annual return on capital employed above 13%: this was 15% and therefore this 33.3% of the award became eligible;

iii. Total Shareholder Return (TSR) above the median for the comparator group: The Henry Boot PLC TSR for the three-year period was 10.97%, putting it below the median within the comparator group and therefore, this 33.4% of the award did not become eligible.

Together, these resulted in LTIP awards of: Jamie Boot 61,744 shares; and John Sutcliffe 76,400 shares; and gave rise to the award values in the single total figure of remuneration at 31 December 2016 on page 68.

For Jamie Boot this award, and any grant of awards in 2017 and 2018, is on a pro rata basis to his retirement date of 31 December 2015 under the provisions for good leavers.

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
John Sutcliffe	LTIP – nil cost option	100%	176,969	376,236	25%
Darren Littlewood	LTIP – nil cost option	100%	70,555	150,000	25%

Awards expected to be granted for the financial years 2017–2019 in 2017

	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:

Read more details at
www.henryboot.co.uk

Pension entitlement

John Sutcliffe is a member of the Henry Boot PLC Group Stakeholder (Defined Contribution) Pension Plan (the Plan). Contributions are made at 20% of salary and contributions to the Plan in the year were £18,812 (2015: £40,821). The annual allowance for tax relief on pension savings applicable to John Sutcliffe in 2016 was £18,812 and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £56,435 (2015: £9,041).

Darren Littlewood is a member of The Henry Boot Staff Pension and Life Assurance Scheme (Defined Benefit) (the Scheme), his accrued pension entitlement at 31 December 2016 was £22,270 and the pensionable salary available for use within the Scheme at 31 December 2016 was £56,755. Basic salary above this level is available for use within the Henry Boot PLC Group Stakeholder (Defined Contribution) Pension Plan (the Plan). Contributions are made at 20% of available salary and contributions to the Plan in the year were £13,987. The annual allowance for tax relief on pension savings applicable to Darren Littlewood in 2016 was £13,987 and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £4,662.

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 year in respect of services provided to the Company as a Director.

Payments made for loss of office

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

Statement of Directors' shareholdings and share interests

		At 31 December 2016					
	At 31 December 2015 Legally owned	Legally owned	SAYE (not subject to performance)	CSOP (not subject to performance)	LTIPS subject to performance measures	Total	Share interests as a % of salary or fees 31 December 2016[1]
Jamie Boot	5,734,562	5,799,302	—	—	123,937	5,923,239	**14,485**
John Sutcliffe	510,445	543,769	—	—	400,744	944,513	**491**
Darren Littlewood	n/a	24,694	10,465	10,000	70,555	115,714	**133**
James Sykes	20,000	20,000	—	—	—	20,000	**92**
Joanne Lake	10,710	10,710	—	—	—	10,710	**49**
Gerald Jennings	—	—	—	—	—	—	**—**
Peter Mawson	—	10,000	—	—	—	10,000	**46**

The share price at 31 December 2016 was 201.50p. The salary used for this calculation is that which commences on 1 January 2017.

[1] As laid out in the Remuneration Policy, which can be viewed on the website:

Read more details at
www.henryboot.co.uk

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. 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 2016 was as follows:

	2016 **Number of shares**		2015 Number of shares	
	Ordinary	**Preference**	Ordinary	Preference
Jamie Boot	**5,799,302**	**14,753**	5,734,562	14,753
John Sutcliffe	**543,769**	**—**	510,445	—
Darren Littlewood	**24,694**	**—**	n/a	n/a
John Brown	**n/a**	**n/a**	35,000	—
Michael Gunston	**n/a**	**n/a**	23,000	—
James Sykes	**20,000**	**—**	20,000	—
Joanne Lake	**10,710**	**—**	10,710	—
Gerald Jennings	**—**	**—**	—	—
Peter Mawson	**10,000**	**—**	—	—

Between 31 December 2016 and 24 March 2017, being a date not more than one month prior to the date of the Notice of the AGM 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 2016	Awarded during the year	Vested during the year	Lapsed during the year	**At 31 December 2016**	Earliest/ actual vesting date	Market valuation on vesting £
Jamie Boot	2006	18/04/2013	171.0p	181,674	—	64,740	116,934	**—**	23/05/2016	127,858
	2006	07/05/2014	211.0p	92,709	—	—	—	**92,709**	07/06/2017	—
	2015	01/06/2015	228.6p	31,228	—	—	—	**31,228**	01/06/2018	—
				305,611	—	64,740	116,934	**123,937**		127,858
John Sutcliffe	2006	18/04/2013	171.0p	137,429	—	48,974	88,455	**—**	23/05/2016	96,721
	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	—
	2015	21/04/2016	212.6p	—	176,969	—	—	**176,969**	21/05/2019	—
				361,204	176,969	48,974	88,455	**400,744**		96,721
Darren Littlewood	2015	21/04/2016	212.6p	—	70,555	—	—	**70,555**	21/05/2019	—
				—	70,555	—	—	**70,555**		—

Sharesave Plan

	Plan	At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	**At 31 December 2016**	Exercise price	Date from which exercisable	Expiry date
Darren Littlewood	2014	10,465	—	—	—	**10,465**	172.0p	01/12/2017	31/05/2018

Company Share Option Plan

	Plan	At 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	**At 31 December 2016**	Exercise price	Date from which exercisable	Expiry date
Darren Littlewood	2014	10,000	—	—	—	**10,000**	191.0p	01/10/2017	01/10/2024

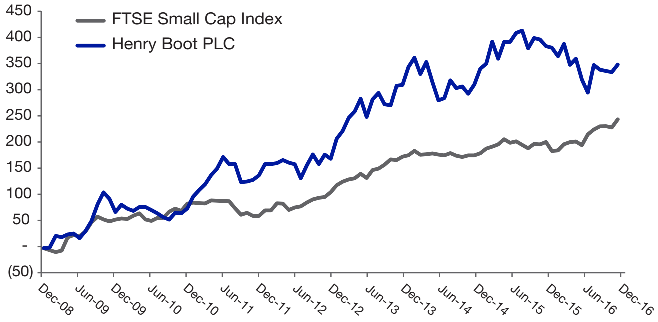
Statement of voting at the last Annual General Meeting (AGM)

The Company remains committed to shareholder dialogue and takes an active interest in voting outcomes. At the AGM on 26 May 2016 the resolution put to shareholders on an advisory basis to receive and approve the 2015 Directors' Remuneration Report was passed. The number of votes in favour of that resolution was 93,896,403 (99.14% of votes cast), against 812,928 (0.86% of votes cast) and withheld 58,890 (0.00% of votes cast). The total number of votes cast in respect of this resolution represented 71.72% of the issued share capital.

Share price

The middle market price for the Company's shares at 31 December 2016 was 201.50p and the range of prices during the year was 169.63p to 228.88p.

Eight-year TSR performance graph



Chief Executive Officer's remuneration for the previous eight years

	Total remuneration £'000	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2016	**1,044**	**91.1**	**67**
2015	981	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 Chief Executive Officer's remuneration

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

Percentage change	Note	Group Managing Director	Workforce sample
Salary		3.0%	5.0%
Taxable benefits	1	—	—
Annual bonus 2015	2	(4.3%)	6.2%
Annual bonus 2016	2	6.8%	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 2017 for the year ended 31 December 2016 and the figure is therefore not available. Therefore, the information produced is for the bonus comparisons paid in May 2016 for the year ended 31 December 2015. The workforce comparison is every member of staff who received a bonus excluding the Chief Executive Officer.

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:

	2016 £'000	2015 £'000	% change
Ordinary dividends	**9,211**	8,039	14.6
Profit attributable to the owners of the business	**28,259**	23,041	22.6
Overall expenditure on pay	**25,743**	24,857	3.6

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. The terms of reference are reviewed by the Committee each year.

Role of the Committee

The primary role of the Committee is to:

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

Meetings during the year

The Committee met once during the year. Attendance at 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 2016 were myself (Committee Chairman), Jamie Boot, James Sykes, Gerald Jennings and Peter Mawson. Biographies of the current members of the Committee are shown on pages 50 and 51. 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 five Non-executive Directors during the financial year was comprised as follows:

	Independent
Joanne Lake	Yes
Jamie Boot	No
James Sykes	No
Gerald Jennings	Yes
Peter Mawson	Yes

During 2016 John Sutcliffe, Chief Executive Officer, attended meetings with the Committee, as requested, in order to assist on matters concerning other senior Executives within the Group. John Sutcliffe 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
21 April 2017

DIRECTORS' REPORT

The Directors' Report for the financial year ended 31 December 2016 is detailed below.

Activities of the Group

The principal activities of the Group are land promotion, 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 2016 is set out on page 8 to 45.

Corporate Governance Statement

The Disclosure Guidance and Transparency Rules of the Financial Conduct Authority 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 54 to 60.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 90. The companies affecting the profit or net assets of the Group in the year are listed in note 34 to the Financial Statements.

The Directors recommend that a final dividend of 4.50p per ordinary share be paid on 31 May 2017, subject to shareholder approval at the 2017 AGM to be held on 25 May 2017, to ordinary shareholders on the register at the close of business on 28 April 2017. If approved, this, together with the interim dividend of 2.50p per ordinary share paid on 21 October 2016, will make a total dividend of 7.00p per ordinary share for the year ended 31 December 2016. Further details are disclosed in note 10 to the Financial Statements on page 107.

Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 98 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 16, 23, 24 and 26 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 38.

Political donations

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

Directors and their interests

Details of the Directors who held office during the financial year ending 31 December 2016 and as at the date of this Annual Report and Financial Statements can be found on page 50 and 51.

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

The interests of Directors and persons closely associated with them in the share capital of the Company as at 31 December 2016, are disclosed in the Directors' Remuneration Report on pages 71 and 72.

Between 31 December 2016 and 24 March 2017, being a date not more than one month prior to the date of the Notice of the AGM, there has been no change in the beneficial interest of any Director.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 70 to 72.

Directors' service contracts and letters of appointment

Details of unexpired terms of Directors' service contracts and/or letters of appointment of the Executive Directors proposed for reappointment at the AGM on 25 May 2017 are set out in the Directors' Remuneration Policy.

John Sutcliffe and Darren Littlewood each have a one year rolling service agreement in accordance with our policy on Directors' contracts. Termination of these arrangements would therefore be subject to their contractual terms and conditions which require a notice period of one year to the Director. Contractual compensation in the event of early termination provides for compensation at basic salary for the notice period.

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

Read more details at
www.henryboot.co.uk

Employment policy and involvement

Employees

Employees are at the heart of all that we do; our culture ensures that employees can grow, thrive and succeed. 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.

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.

Succession planning is important to our ongoing success; it is our preference to promote through the line from our current workforce where possible. We have a competitive and engaging employment offering which ensures that we have a low turnover of employees but it is also attractive to external candidates wishing to join our Group, including flexible working arrangements, stakeholder pension plan, 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.

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 tries to ensure that, so far as possible, employee views are taken into account when decisions are made that are likely to affect their interests. We regularly provide our employees with information on matters of concern to them through a variety of communication channels including manager briefings and news items on our Group intranet to disseminate information to all Directors and 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 29 to the Financial Statements.

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 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 43.

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 45. 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 Guidance and Transparency Rules of the Financial Conduct Authority.

	Voting rights over ordinary shares	
	Number	% of issued
Rysaffe Nominees and J J Sykes (joint holding)[1]	21,307,155	16.13
The Fulmer Charitable Trust[2]	5,739,580	4.34
Hargreave Hale Limited[3]	7,213,675	5.46

1. 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.
2. 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.
3. Notified as indirect voting rights.

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 29 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout the whole of 2016 were Jamie Boot, John Sutcliffe, Darren Littlewood and Russell Deards, exercises the voting rights in relation to shares held as it, in its absolute discretion, thinks fit, but having regard to the interests of the beneficiaries. In respect of the financial year of the Company ended on 31 December 2016, 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 31 to the Financial Statements.

Future developments

Important events since the financial year end and likely future developments are described in the Strategic Report on pages 8 to 45.

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 Audit Committee 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 81. The Independent Auditors' Report is given on pages 84 to 89.

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 25 May 2017 at 12.30pm. The notice convening the meeting can be found on pages 139 to 143. 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 29 to the Financial Statements. As at 24 March 2017, 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 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 Financial Conduct Authority.

The Notice of the AGM on pages 139 to 143 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 £4,403,311 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 24 March 2017. The authority will expire on 24 August 2018 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 £660,496 (approximately 5% of the Company's issued ordinary share capital at 24 March 2017). The authority will expire on 24 August 2018 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 (83.7% of the Company's issued ordinary share capital at 24 March 2017). 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 25 May 2017 are set out in the Notice of AGM on pages 139 to 143.

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-quarters 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:

- 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 they were not appointed or reappointed at either such AGM and they have 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 their period of office has expired notwithstanding anything in the Articles or in any agreement between them and the Company. A Director may also be removed from office by the service on them 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. they are prohibited by law from being a Director;

ii. they become bankrupt or makes any arrangement or composition with their creditors generally;

iii. they are or may be suffering from a mental disorder as referred to in the Articles;

iv. for more than six months they are absent, without special leave of absence from the Board, from meetings of the Board held during that period and the Board resolves that their office be vacated; or

v. they serve on the Company notice of their 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
21 April 2017

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company 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.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company 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 Parent Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fair, balanced and understandable

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 Group and Parent Company’s performance, business model and strategy.

Directors’ responsibility statement

Each of the Directors, whose names and functions are listed on pages 50 and 51 confirm that, to the best of their knowledge:

- the Parent Company Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report and Directors’ Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, 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
21 April 2017

Darren Littlewood
Director
21 April 2017

FINANCIAL STATEMENTS

Pictured The former St Helena Girls Grammar School in Chesterfield, refurbished and transformed to a new campus site for the University of Derby.

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 2016 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:

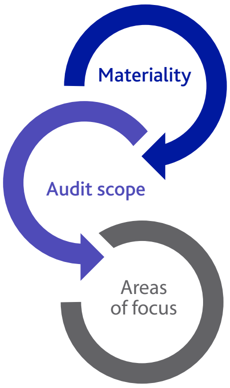
- the Statements of Financial Position as at 31 December 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Statements of Changes in Equity for the year then ended;
- the Statements of Cash Flows for the year then ended;
- the principal accounting policies; and
- 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, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

Our audit approach

Overview



- Overall Group materiality: £2.9m which represents 0.9% 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 mis-statement 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 mis-statement due to fraud.

The risks of material mis-statement 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 We focused on this area because the Group’s investment property assets represent a significant proportion of the assets in the Group Statement of Financial Position. 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 We focused 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 mis-statement 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 tested the out-turn on similar amounts previously provided for. 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. No material adjustments were identified as a result of our testing.
Completeness and accuracy of land promotion provision 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 forecasts 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 2015 and December 2016 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 invoices or completion certificates. 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
Actuarial assumptions used in accounting for defined benefit pension scheme liabilities 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 liabilities 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.	We obtained the actuary's report and we used our own actuarial experts to assess the judgemental assumptions such as discount rate, inflation and mortality rates, by comparing key assumptions to externally derived data, as well as our own independently formed assessments, in order to assess whether they were reasonable. We have no exceptions to report as a result of this testing.

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 Promotion and Construction. The Group Financial Statements are a consolidation of the 45 reporting units within these three business lines and the Group's centralised functions.

Of the Group's 45 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 over investment properties, inventories, borrowings, and property plant and equipment were performed for a further four reporting units, and specific audit procedures were also performed over one joint venture company due to its contribution to the Group's investment in joint ventures and associates. 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 mis-statements, 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	£2.9m (2015: £2.5m)
How we determined it	0.9% of total assets (2015: 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 mis-statements identified during our audit above £145,000 (2015: £125,000) as well as mis-statements 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 38, in relation to going concern. We have nothing to report having performed our review.

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 and compliance with applicable requirements

Companies Act 2006 reporting

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Parent Company and their environment obtained in the course of the audit, we are required to report if we have identified any material mis-statements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 81, 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 64, 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 pages 34 to 38 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 38 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 set out on page 81, 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 mis-statement, 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 mis-statements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
21 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	1	**306,806**	176,186
Cost of sales		**(244,496)**	(122,855)
Gross profit		**62,310**	53,331
Other income	1	**40**	36
Administrative expenses		**(17,958)**	(17,235)
Pension expenses	4	**(3,774)**	(3,689)
		40,618	32,443
Decrease in fair value of investment properties	13	**(1,783)**	(2,009)
Profit on sale of investment properties		**647**	747
Profit on sale of assets held for sale		**—**	485
Operating profit	3	**39,482**	31,666
Finance income	5	**156**	1,438
Finance costs	6	**(1,670)**	(1,617)
Share of profit of joint ventures and associates	15	**1,523**	923
Profit before tax		**39,491**	32,410
Tax	7	**(8,945)**	(7,460)
Profit for the year from continuing operations		**30,546**	24,950
Other comprehensive (expense)/income not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	**30**	100
Deferred tax on property revaluations	17	**3**	509
Actuarial (loss)/gain on defined benefit pension scheme	26	**(8,959)**	6,002
Current tax on actuarial loss	7	**428**	—
Deferred tax on actuarial loss/(gain)	17	**964**	(1,439)
Movement in fair value of cash flow hedge		**—**	16
Deferred tax on cash flow hedge	17	**—**	(4)
Total other comprehensive (expense)/income not being reclassified to profit or loss in subsequent years		**(7,534)**	5,184
Total comprehensive income for the year		**23,012**	30,134
Profit for the year attributable to:			
Owners of the Parent Company		**28,259**	23,041
Non-controlling interests		**2,287**	1,909
		30,546	24,950
Total comprehensive income attributable to:			
Owners of the Parent Company		**20,725**	28,219
Non-controlling interests		**2,287**	1,915
		23,012	30,134
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**21.5p**	17.5p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**21.3p**	17.3p

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

		Group		Parent Company	
	Note	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Assets					
Non-current assets					
Intangible assets	11	**4,909**	5,757	**—**	—
Property, plant and equipment	12	**21,967**	20,984	**297**	168
Investment properties	13	**123,663**	125,311	**—**	—
Investments	14	**—**	—	**8,488**	3,021
Investment in joint ventures and associates	15	**5,148**	3,790	**—**	—
Trade and other receivables	16	**5,592**	10,507	**—**	—
Deferred tax assets	17	**5,249**	4,323	**4,694**	3,772
		166,528	170,672	**13,479**	6,961
Current assets					
Inventories	18	**137,915**	138,941	**—**	—
Trade and other receivables	16	**66,921**	54,448	**191,751**	197,711
Cash and cash equivalents		**7,389**	12,041	**2,507**	10,135
		212,225	205,430	**194,258**	207,846
Assets classified as held for sale	20	**1,050**	—	**—**	—
		213,275	205,430	**194,258**	207,846
Liabilities					
Current liabilities					
Trade and other payables	21	**61,149**	64,384	**73,689**	82,600
Current tax liabilities		**4,707**	3,636	**3,524**	3,600
Borrowings	24	**33,342**	42,836	**31,008**	40,478
Provisions	25	**6,669**	5,749	**—**	—
		105,867	116,605	**108,221**	126,678
Net current assets		**107,408**	88,825	**86,037**	81,168
Non-current liabilities					
Trade and other payables	21	**4,615**	6,639	**—**	—
Borrowings	24	**6,922**	8,137	**—**	—
Retirement benefit obligations	26	**26,396**	19,577	**26,396**	19,577
Provisions	25	**2,451**	3,595	**—**	—
		40,384	37,948	**26,396**	19,577
Net assets		**233,552**	221,549	**73,120**	68,552
Equity					
Share capital	29	**13,608**	13,604	**13,608**	13,604
Property revaluation reserve	30	**3,879**	3,964	**—**	—
Retained earnings	30	**210,664**	197,895	**54,835**	49,608
Other reserves	30	**4,611**	4,548	**5,748**	5,685
Cost of shares held by ESOP trust	31	**(1,071)**	(345)	**(1,071)**	(345)
Equity attributable to owners of the Parent Company		**231,691**	219,666	**73,120**	68,552
Non-controlling interests		**1,861**	1,883	**—**	—
Total equity		**233,552**	221,549	**73,120**	68,552

The Parent Company made a profit for the year of £21,038,000 (2015: £7,357,000).

The Financial Statements on pages 90 to 93 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 21 April 2017.

On behalf of the Board

J T Sutcliffe
Director

D L Littlewood
Director

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2016

		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 2015		13,592	3,355	177,664	4,425	(550)	198,486	1,988	200,474
Profit for the year	30	—	—	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	31	—	—	—	—	4	4	—	4
Share-based payments	30, 31	—	—	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
Profit for the year	30	**—**	**—**	**28,259**	**—**	**—**	**28,259**	**2,287**	**30,546**
Other comprehensive expense		**—**	**33**	**(7,567)**	**—**	**—**	**(7,534)**	**—**	**(7,534)**
Total comprehensive income		**—**	**33**	**20,692**	**—**	**—**	**20,725**	**2,287**	**23,012**
Equity dividends	10	**—**	**—**	**(8,318)**	**—**	**—**	**(8,318)**	**(2,309)**	**(10,627)**
Realised revaluation surplus		**—**	**(118)**	**118**	**—**	**—**	**—**	**—**	**—**
Proceeds from shares issued		**4**	**—**	**—**	**63**	**—**	**67**	**—**	**67**
Purchase of treasury shares	31	**—**	**—**	**—**	**—**	**(959)**	**(959)**	**—**	**(959)**
Share-based payments	30, 31	**—**	**—**	**277**	**—**	**233**	**510**	**—**	**510**
		4	**(118)**	**(7,923)**	**63**	**(726)**	**(8,700)**	**(2,309)**	**(11,009)**
At 31 December 2016		**13,608**	**3,879**	**210,664**	**4,611**	**(1,071)**	**231,691**	**1,861**	**233,552**

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 2015		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	31	—	—	—	4	4
Share-based payments	30	—	96	—	201	297
		12	(7,568)	117	205	(7,234)
At 31 December 2015		13,604	49,608	5,685	(345)	68,552
Profit for the year	8	**—**	**21,038**	**—**	**—**	**21,038**
Other comprehensive expense		**—**	**(7,567)**	**—**	**—**	**(7,567)**
Total comprehensive income		**—**	**13,471**	**—**	**—**	**13,471**
Equity dividends	10	**—**	**(8,318)**	**—**	**—**	**(8,318)**
Proceeds from shares issued		**4**	**—**	**63**	**—**	**67**
Purchase of treasury shares	31	**—**	**—**	**—**	**(959)**	**(959)**
Share-based payments	30	**—**	**74**	**—**	**233**	**307**
		4	**(8,244)**	**63**	**(726)**	**(8,903)**
At 31 December 2016		**13,608**	**54,835**	**5,748**	**(1,071)**	**73,120**

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

		Group		Parent Company	
		2016	2015	**2016**	2015
	Note	**£'000**	£'000	**£'000**	£'000
Cash flows from operating activities					
Cash generated from/(used by) operations	32	**28,545**	5,208	**(1,889)**	(6,321)
Interest paid		**(1,141)**	(1,074)	**(3,154)**	(3,366)
Tax paid		**(7,405)**	(3,934)	**(6,370)**	(2,501)
Net cash flows from operating activities		**19,999**	200	**(11,413)**	(12,188)
Cash flows from investing activities					
Purchase of intangible assets	11	**(606)**	(420)	**—**	—
Purchase of property, plant and equipment	12	**(1,836)**	(1,731)	**(231)**	(107)
Purchase of investment property	13	**(10,181)**	(13,561)	**—**	—
Purchase of investments in joint ventures and associates	15	**(800)**	(1,500)	**—**	—
Proceeds on disposal of property, plant and equipment		**492**	325	**—**	—
Proceeds on disposal of investment properties		**9,430**	7,791	**—**	—
Proceeds on disposal of assets held for sale		**—**	15,275	**—**	—
Interest received		**113**	701	**7,495**	8,109
Dividends received from subsidiaries		**—**	—	**15,201**	10,099
Dividends received from joint ventures		**965**	—	**—**	—
Net cash flows from investing activities		**(2,423)**	6,880	**22,465**	18,101
Cash flows from financing activities					
Proceeds from shares issued		**67**	129	**67**	129
Purchase of treasury shares	31	**(959)**	—	**(959)**	—
Proceeds on disposal of treasury shares		**—**	4	**—**	4
Decrease in borrowings		**(39,128)**	(65,408)	**(30,000)**	(64,226)
Increase in borrowings		**28,421**	75,571	**20,000**	74,226
Dividends paid – ordinary shares	10	**(8,297)**	(7,643)	**(8,297)**	(7,643)
– non-controlling interests		**(2,309)**	(2,020)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**(22,226)**	612	**(19,210)**	2,469
Net (decrease)/increase in cash and cash equivalents		**(4,650)**	7,692	**(8,158)**	8,382
Net cash and cash equivalents at beginning of year		**12,039**	4,347	**9,657**	1,275
Net cash and cash equivalents at end of year		**7,389**	12,039	**1,499**	9,657
Analysis of net debt:					
Cash and cash equivalents		**7,389**	12,041	**2,507**	10,135
Bank overdrafts	24	**—**	(2)	**(1,008)**	(478)
Net cash and cash equivalents		**7,389**	12,039	**1,499**	9,657
Bank loans	24	**(32,684)**	(42,389)	**(30,000)**	(40,000)
Government loans	24	**(7,580)**	(8,582)	**—**	—
Net debt		**(32,875)**	(38,932)	**(28,501)**	(30,343)

PRINCIPAL ACCOUNTING POLICIES

for the year ended 31 December 2016

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 as 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 38.

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 Consolidated Statement of Comprehensive Income and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which goodwill arose.

Assets classified as held for sale

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

Revenue recognition

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

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

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

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

Revenue from operating leases is recognised on a straight line basis over the lease term, except for contingent rental income which is recognised when it arises. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight line basis, as a reduction to revenue.

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

Construction contracts

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

Contract revenue is recognised in accordance with the stage of completion of the contract where the contract's outcome can be estimated reliably. The principal method used to recognise the stage of completion of a contract is an in-house survey of the work performed.

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

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

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

Operating segments

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

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

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

- Property Investment and Development, inclusive of property investment and development and trading activities;
- Land Promotion, 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 Consolidated Statement of Comprehensive Income.

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

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

Investment property is derecognised when 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 Consolidated Statement of Comprehensive Income.

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

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

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

— Equipment held for hire	– between 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 nine 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.

- Property developments in progress includes properties being developed for onward sale.
- Land held for development or sale is land owned by the Group has that is promoted through the planning process in order to gain planning permission, adding value to the land.
- Options to purchase land are agreements that the Group entered into with the landowners whereby the Group has the option to purchase the land within a limited time frame. The landowners are not generally permitted to sell to any other party during this period, unless agreed to by the Group. Within the time frame the Group promotes the land through the planning process at its expense in order to gain planning permission. Should the Group be successful in obtaining planning permission it would trigger the option to purchase and subsequently sell on the land.
- Planning promotion agreements are agreements that the Group has entered into with the landowners, whereby the Group acts as an agent to the landowners in exchange for a fee of a set percentage of the proceeds or profit of the eventual sale. The Group promotes the land through the planning process at its own expense. If the land is sold the Group will receive a fee for its services.
- The Group 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 Consolidated Statement of Comprehensive Income.

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

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 29. At each reporting period date, the Group estimates the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity reserves.

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

Details regarding the determination of the fair value of share-based transactions are set out in note 29.

Tax

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

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

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

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

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

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

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

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

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

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 100). 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 Consolidated 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 100);
- Borrowings — see below; and
- Derivatives — see below.

Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred 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 Consolidated 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 promotion provision represents management's best estimate of the Group's liability to provide infrastructure and services as a result of obligations which remain with the Group following the disposal of land. Where the infrastructure and services obligations relate to developments on which land is being disposed of over a number of phases, provisions are calculated based on an acreage allocation methodology taking into account the expected timing of cash outflows to settle the obligations.

The Group regularly reviews its contract obligations and whether they are considered to be onerous. In the event that the costs of meeting the obligations exceed the economic benefits expected to be received through the life of the development, a provision would be recognised based on 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 promotion and road maintenance can be found in note 25 on page 124.

Interest income and expense

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

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

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 Consolidated Statement of Financial Position, within deferred income, where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

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

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

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 95 to 98 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 26 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 25 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 2016:

		Effective from
Annual improvements (issued 2013)	'Annual Improvements to IFRSs 2010–2012 Cycle'	1 July 2014#
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 19 (amended 2014)	'Defined Benefit Plans: Employee Contributions'	1 July 2014#
IAS 27 (amended 2014)	'Equity Method in Separate Financial Statements'	1 January 2016
IFRS 10, IFRS 12 and IAS 28 (amended 2014)	'Investment Entities: Applying the Consolidation Exception'	1 January 2016
IFRS 11 (amended 2014)	'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016

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 2016)	'Annual Improvements to IFRSs 2014–2016 Cycle'	1 January 2017*
IAS 7 (amended 2016)	'Disclosure Initiative'	1 January 2017*
IAS 12 (amended 2016)	'Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017*
IAS 40 (amended 2016)	'Transfers of Investment Property'	1 January 2018*
IFRIC 22 (amended 2016)	'Foreign Currency Transactions and Advance Consideration'	1 January 2018*
IFRS 2 (amended 2016)	'Classification and Measurement of Share-based Payment Transactions'	1 January 2018*
IFRS 4 (amended 2016)	'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	1 January 2018*
IFRS 9 (issued 2014)	'Financial Instruments'	1 January 2018
IFRS 14 (issued 2014)	'Regulatory Deferral Accounts'	1 January 2016*
IFRS 15 (issued 2014)	'Revenue from Contracts with Customers'	1 January 2018
IFRS 15 (amended 2016)	'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 has been conducted and the Directors do not believe that they will give rise to any significant financial impact.

In 2016, 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.

1. Revenue

Analysis of the Group's revenue is as follows:

Activity in the United Kingdom	2016 £'000	2015 £'000
Revenue from construction contracts	**55,347**	56,123
Property development	**147,496**	29,400
House builder unit sales	**20,109**	12,319
Land promotion	**51,058**	46,572
PFI concession income	**11,265**	11,126
Plant and equipment hire	**12,772**	12,292
Investment property rental income	**8,250**	8,216
Other rental income	**509**	138
	306,806	176,186
Other income	**40**	36
	306,846	176,222

Contingent rents recognised as income during the year amount to £439,000 (2015: £449,000).

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

During the year the Property Investment and Development segment made disposals to a single external customer amounting to 14.7% of the Group's total revenue. This related to a single high value contract which commenced in the year and will continue through to 2019. The segment has a number of other contracts in progress and is not reliant on any major customer individually. Revenue for the prior year is 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 94 to 101.

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

2016

Revenue	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	**176,232**	**51,190**	**79,384**	**—**	**—**	**306,806**
Inter-segment sales	**314**	**—**	**5,044**	**639**	**(5,997)**	**—**
Total revenue	**176,546**	**51,190**	**84,428**	**639**	**(5,997)**	**306,806**
Operating profit/(loss)	**15,105**	**18,608**	**10,288**	**(4,519)**	**—**	**39,482**
Finance income	**936**	**1,079**	**1,172**	**22,649**	**(25,680)**	**156**
Finance costs	**(6,390)**	**(1,955)**	**(484)**	**(3,145)**	**10,304**	**(1,670)**
Share of profit of joint ventures and associates	**1,523**	**—**	**—**	**—**	**—**	**1,523**
Profit/(loss) before tax	**11,174**	**17,732**	**10,976**	**14,985**	**(15,376)**	**39,491**
Tax	**(1,969)**	**(3,532)**	**(2,244)**	**(1,177)**	**(23)**	**(8,945)**
Profit/(loss) for the year	**9,205**	**14,200**	**8,732**	**13,808**	**(15,399)**	**30,546**
Other information						
Capital additions	**10,278**	**29**	**5,371**	**993**	**—**	**16,671**
Depreciation	**203**	**18**	**3,200**	**601**	**—**	**4,022**
Impairment	**—**	**—**	**203**	**—**	**—**	**203**
Amortisation	**36**	**—**	**1,251**	**—**	**—**	**1,287**
Decrease in fair value of investment properties	**1,783**	**—**	**—**	**—**	**—**	**1,783**
Provisions	**—**	**831**	**870**	**—**	**—**	**1,701**
Pension scheme credit	**—**	**—**	**—**	**(2,140)**	**—**	**(2,140)**

2015

Revenue	Property investment and development £'000	Land promotion £'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)

2. Segment information continued

	2016 £'000	2015 £'000
Segment assets		
Property Investment and Development	**195,830**	193,445
Land Promotion	**136,378**	136,491
Construction	**32,104**	27,013
Group overheads	**2,853**	2,789
	367,165	359,738
Unallocated assets		
Deferred tax assets	**5,249**	4,323
Cash and cash equivalents	**7,389**	12,041
Total assets	**379,803**	376,102
Segment liabilities		
Property Investment and Development	**17,646**	19,334
Land Promotion	**20,893**	20,865
Construction	**33,888**	37,217
Group overheads	**2,457**	2,951
	74,884	80,367
Unallocated liabilities		
Current tax liabilities	**4,707**	3,636
Current borrowings	**33,342**	42,836
Non-current borrowings	**6,922**	8,137
Retirement benefit obligations	**26,396**	19,577
Total liabilities	**146,251**	154,553
Total net assets	**233,552**	221,549

3. Operating profit

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

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment	**4,022**	3,637
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	**1,251**	1,193
Amortisation of capitalised letting fees	**36**	52
Gain on sale of assets held for sale	**–**	(485)
Impairment losses recognised on trade receivables included in cost of sales	**61**	112
Impairment losses recognised on trade receivables included in administrative expenses	**307**	6
Property rentals under operating leases	**295**	276
Decrease in fair value of investment property	**1,783**	2,009
Cost of inventories recognised as expense	**65,912**	50,332
Employee costs	**26,098**	25,208
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	**7**	5
Profit on sale of property, plant and equipment	**(506)**	(296)

3. Operating profit continued

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

	2016 **£'000**	2015 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	**95**	90
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**114**	101
Total audit fees	**209**	191
Tax compliance services	**–**	49
Tax advisory services	**–**	20
Other services	**28**	10
Total non-audit fees	**28**	79
Total fees	**237**	270

In addition, fees of £13,250 (2015: £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

	Group		Parent Company	
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000
Wages and salaries	**19,137**	18,554	**2,690**	2,775
Share-based payment expense	**510**	492	**306**	297
Social security costs	**2,322**	2,122	**346**	342
Defined benefit pension costs (see note 26)	**2,464**	2,697	**(26)**	(173)
Defined contribution pension costs (see note 26)	**1,220**	919	**197**	178
Other pension costs	**90**	73	**8**	9
	25,743	24,857	**3,521**	3,428

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

	2016 **Number**	2015 Number
Property Investment and Development	**66**	59
Land Promotion	**33**	33
Construction	**172**	175
Plant hire	**117**	115
Parent Company	**53**	52
	441	434

5. Finance income

	2016 **£'000**	2015 £'000
Interest on bank deposits	**13**	78
Interest on other loans and receivables	**(88)**	1,215
Fair value adjustments on trade receivables	**231**	145
	156	1,438

6. Finance costs

	2016 £'000	2015 £'000
Interest on bank loans and overdrafts	**1,097**	1,087
Interest on other loans and payables	**128**	155
Fair value adjustments on trade payables	**387**	310
Fair value adjustments on borrowings	**56**	59
Provisions: unwinding of discount (note 25)	**2**	6
	1,670	1,617

7. Tax

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax on profits for the year	**8,927**	5,721
Adjustments in respect of earlier years	**(23)**	(127)
Total current tax	**8,904**	5,594
Deferred tax (note 17):		
Origination and reversal of temporary differences	**41**	1,512
Adjustments in respect of change in UK corporation tax rate	**—**	354
Total deferred tax	**41**	1,866
Total tax	**8,945**	7,460

Corporation tax is calculated at 20% (2015: 20.25%) 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, substantively enacted on 26 October 2015, and from 19% to 17% effective from 1 April 2020, substantively enacted on 6 September 2016, deferred tax balances at the year end have been measured at 17% (2015: 20% and 18%) being the rate at which timing differences are expected to reverse.

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

	2016 £'000	2015 £'000
Profit before tax	**39,491**	32,410

	2016 %	2015 %
Tax at the UK corporation tax rate	**20.00**	20.25
Effects of:		
Permanent differences	**3.01**	(0.22)
Tax losses for which no deferred tax asset is recognised	**0.47**	2.86
Adjustment in respect of earlier years	**(0.06)**	(0.39)
Adjustment in respect of change in UK corporation tax rate	**0.00**	1.09
Joint venture results reported net of tax	**(0.77)**	(0.58)
Effective tax rate	**22.65**	23.01

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

	2016 £'000	2015 £'000
Current tax:		
– actuarial loss	**428**	—
Deferred tax:		
– property revaluations	**3**	509
– actuarial loss/(gain)	**964**	(1,439)
– cash flow hedge	**—**	(4)
Total tax recognised in other comprehensive income	**1,395**	(934)

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 21 April 2017 is £21,038,000 (2015: £7,357,000) and includes dividends received from subsidiaries of £15,201,000 (2015: £10,099,000).

9. Earnings per ordinary share

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

	2016 £'000	2015 £'000
Profit for the year	**30,546**	24,950
Non-controlling interests	**(2,287)**	(1,909)
Preference dividend	**(21)**	(21)
	28,238	23,020

Number of shares	2016	2015
Weighted average number of shares in issue	**132,052,925**	132,009,797
Less shares held by the ESOP on which dividends have been waived	**(523,606)**	(177,320)
Weighted average number for basic earnings per share	**131,529,319**	131,832,477
Adjustment for the effects of dilutive potential ordinary shares	**1,059,602**	1,231,952
Weighted average number for diluted earnings per share	**132,588,921**	133,064,429

10. Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the year:		
Preference dividend on cumulative preference shares	**21**	21
Final dividend for the year ended 31 December 2015 of 3.80p per share (2014: 3.50p)	**5,006**	4,610
Interim dividend for the year ended 31 December 2016 of 2.50p per share (2015: 2.30p)	**3,291**	3,033
	8,318	7,664

The proposed final dividend for the year ended 31 December 2016 of 4.50p per share (2015: 3.80p) makes a total dividend for the year of 7.0p (2015: 6.10p).

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 £5,920,000.

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 £2,309,000 (2015: £2,020,000).

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2015	4,070	16,134	20,204
Additions at cost	—	420	420
At 31 December 2015	4,070	16,554	20,624
Additions at cost	**—**	**606**	**606**
At 31 December 2016	**4,070**	**17,160**	**21,230**
Accumulated impairment losses and amortisation			
At 1 January 2015	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
Amortisation	**—**	**1,251**	**1,251**
Impairment losses for the year	**203**	**—**	**203**
At 31 December 2016	**2,509**	**13,812**	**16,321**
Carrying amount			
At 31 December 2016	**1,561**	**3,348**	**4,909**
At 31 December 2015	1,764	3,993	5,757
At 1 January 2015	1,967	4,766	6,733

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 Highways England based on the number and type of vehicles using the road. The concession lasts for a period of 30 years and has a further nine years to run, at the end of which the road reverts to Highways England. Whilst the impairment test demonstrates significant headroom, an impairment charge of £203,000 (2015: £203,000) has been recognised during the year to reflect the fact that the PFI concession will revert to Highways England at the end of the 30-year period, at which point no goodwill should remain. There were no significant changes to these arrangements during the year.

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

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

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 2015	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
Additions at cost	**—**	**4,048**	**1,404**	**432**	**5,884**
Disposals	**(208)**	**(1,662)**	**(1,310)**	**(226)**	**(3,406)**
Transfers to assets held for sale	**(275)**	**—**	**—**	**—**	**(275)**
Increase in fair value in year	**30**	**—**	**—**	**—**	**30**
At 31 December 2016	**6,834**	**32,922**	**5,050**	**3,283**	**48,089**
Being:					
Cost	**—**	**32,922**	**5,050**	**3,283**	**41,255**
Fair value at 31 December 2016	**6,834**	**—**	**—**	**—**	**6,834**
	6,834	**32,922**	**5,050**	**3,283**	**48,089**
Accumulated depreciation and impairment					
At 1 January 2015	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
Charge for year	**—**	**2,860**	**762**	**400**	**4,022**
Eliminated on disposals	**(108)**	**(1,414)**	**(1,034)**	**(216)**	**(2,772)**
At 31 December 2016	**294**	**21,556**	**2,105**	**2,167**	**26,122**
Carrying amount					
At 31 December 2016	**6,540**	**11,366**	**2,945**	**1,116**	**21,967**
At 31 December 2015	6,885	10,426	2,579	1,094	20,984
At 1 January 2015	6,775	9,067	2,315	929	19,086

At 31 December 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £73,000 (2015: £3,521,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2016 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 £6,540,000 (2015: £6,885,000). 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 £2,611,000 (2015: £2,869,000).

12. Property, plant and equipment continued

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2016 £'000**	2015 £'000	Decrease in fair value in year
Freehold land	—	—	60	**60**	60	**–**
Buildings	—	—	6,480	**6,480**	6,825	**(345)**
Total fair value	—	—	6,540	**6,540**	6,885	**(345)**

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	8.15
	– low	6.98
	– high	10.35

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%	385
Rental value per sq ft – increase by £1 average	1,060

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	Office equipment £'000
Cost	
At 1 January 2015	682
Additions	107
At 31 December 2015	789
Additions	**231**
Disposals	**(216)**
At 31 December 2016	**804**
Depreciation	
At 1 January 2015	545
Charge for year	76
At 31 December 2015	621
Charge for year	**92**
Disposals	**(206)**
At 31 December 2016	**507**
Carrying amount	
At 31 December 2016	**297**
At 31 December 2015	168
At 1 January 2015	137

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	**2016 £'000**	2015 £'000	**Increase/ (decrease) in fair value in year**
Completed investment property						
Industrial	—	—	14,700	**14,700**	12,770	**1,930**
Leisure	—	—	12,475	**12,475**	7,704	**4,771**
Mixed-use	—	—	53,564	**53,564**	58,993	**(5,429)**
Residential	—	—	3,720	**3,720**	4,313	**(593)**
Office	—	—	2,830	**2,830**	—	**2,830**
Retail	—	—	13,619	**13,619**	19,914	**(6,295)**
	—	—	100,908	**100,908**	103,694	**(2,786)**
Investment property under construction						
Industrial	—	—	525	**525**	518	**7**
Land	—	—	1,214	**1,214**	2,112	**(898)**
Office	—	—	7,556	**7,556**	4,500	**3,056**
Retail	—	—	13,460	**13,460**	14,487	**(1,027)**
	—	—	22,755	**22,755**	21,617	**1,138**
Total fair value	—	—	123,663	**123,663**	125,311	**(1,648)**

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.

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

	Industrial	Leisure	Mixed-use	Residential	Office	Retail		
Class	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	**2016**	2015
Fair value hierarchy	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Fair value								
At 1 January	12,770	7,704	58,993	4,313	—	19,914	**103,694**	99,117
Subsequent expenditure on investment property	1	11	959	—	2,970	256	**4,197**	1,602
Capitalised letting fees	—	—	39	—	—	7	**46**	91
Amortisation of capitalised letting fees	(1)	(7)	(23)	—	—	(4)	**(35)**	(45)
Disposals	—	—	(1,394)	(70)	—	(6,706)	**(8,170)**	(1,879)
Transfers to assets held for sale	—	—	—	—	—	(775)	**(775)**	(1,351)
Transfer to inventories	—	—	—	(452)	—	—	**(452)**	(504)
Transfers from investment property under construction	—	—	—	—	—	1,322	**1,322**	7,292
Transfers between class	—	4,491	(4,491)	—	—	—	**—**	—
Increase/(decrease) in fair value in year	1,930	276	(519)	(71)	(140)	(395)	**1,081**	(629)
At 31 December	**14,700**	**12,475**	**53,564**	**3,720**	**2,830**	**13,619**	**100,908**	103,694
Adjustment in respect of tenant incentives	—	315	1,371	—	—	331	**2,017**	2,571
Market value at 31 December	**14,700**	**12,790**	**54,935**	**3,720**	**2,830**	**13,950**	**102,925**	106,265

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 2016 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 £99,205,000 (2015: £101,952,000). 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 2016 has been determined by the Directors of the Company at £3,720,000 (2015: £4,313,000). 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):

		2016					
Class		**Industrial**	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£)	– weighted average	**4.53**	**16.38**	**12.60**	**—**	**19.46**	**13.89**
	– low	**4.53**	**1.67**	**1.50**	**—**	**19.46**	**9.09**
	– high	**4.53**	**40.86**	**53.50**	**—**	**19.46**	**21.41**
Yield %	– weighted average	**5.68**	**5.79**	**7.87**	**—**	**9.05**	**4.84**
	– low	**5.68**	**5.07**	**6.00**	**—**	**9.05**	**4.53**
	– high	**5.68**	**7.86**	**18.94**	**—**	**9.05**	**7.65**
% discount applied to houses held under assured tenancies		**—**	**—**	**—**	**25.00**	**—**	**—**

		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	—

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

13. Investment properties continued

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

	Impact on valuation 2016 £'000					
	Industrial	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Yield – improvement by 0.5%	**1,190**	**1,017**	**3,420**	**—**	**147**	**1,209**
Rental value per sq ft – increase by £1 average	**3,253**	**788**	**4,490**	**—**	**146**	**876**
Tenancy discount – increase by 1%	**—**	**—**	**—**	**50**	**—**	**—**

	Impact on valuation 2015 £'000					
	Industrial	Leisure	Mixed-use	Residential	Office	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	—	—

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 £8,250,000 (2015: £8,216,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £555,000 (2015: £540,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £1,103,000 (2015: £1,023,000).

At 31 December 2016, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £2,047,000 (2015: £776,000).

Investment property under construction

Class **Fair value hierarchy**	Industrial Level 3 £'000	Land Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	**2016 £'000**	2015 £'000
Fair value						
At 1 January	518	2,112	4,500	14,487	**21,617**	42,443
Subsequent expenditure on investment property	7	1	2,314	3,532	**5,854**	11,731
Capitalised letting fees	—	—	—	84	**84**	137
Amortisation of capitalised letting fees	—	—	—	(1)	**(1)**	(7)
Disposals	—	—	—	(613)	**(613)**	(4,929)
Transfer to assets held for sale	—	—	—	—	**—**	(11,812)
Transfer to inventories	—	—	—	—	**—**	(7,274)
Transfers to completed investment property	—	—	—	(1,322)	**(1,322)**	(7,292)
(Decrease)/increase in fair value in year	—	(899)	742	(2,707)	**(2,864)**	(1,380)
At 31 December	**525**	**1,214**	**7,556**	**13,460**	**22,755**	21,617
Adjustment in respect of tenant incentives	—	—	—	—	**—**	—
Market value at 31 December	**525**	**1,214**	**7,556**	**13,460**	**22,755**	21,617

13. Investment properties continued

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

		2016			
Class		**Industrial**	**Land**	**Office**	**Retail**
Valuation technique		Residual	Sales comparison	Residual	Residual
Rental value per sq ft (£)	– weighted average	**—**	**—**	**26.00**	**12.39**
	– low	**—**	**—**	**26.00**	**9.00**
	– high	**—**	**—**	**26.00**	**24.00**
Yield %	– weighted average	**—**	**—**	**6.50**	**6.65**
	– low	**—**	**—**	**6.50**	**6.50**
	– high	**—**	**—**	**6.50**	**6.94**
Costs to complete per sq ft (£)	– weighted average	**—**	**—**	**74.89**	**105.60**
	– low	**—**	**—**	**74.89**	**31.46**
	– high	**—**	**—**	**74.89**	**138.86**
Land value per acre (£'000)	– weighted average	**120**	**218**	**—**	**—**
	– low	**120**	**107**	**—**	**—**
	– high	**120**	**1,382**	**—**	**—**

		2015			
Class		Industrial	Land	Office	Retail
Valuation technique		Residual	Sales comparison	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	—	—

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 2016 £'000			
	Industrial	**Land**	**Office**	**Retail**
Yield – improvement by 0.5%	**—**	**—**	**2,113**	**1,382**
Rental value per sq ft – increase by £1 average	**—**	**—**	**1,605**	**1,367**
Costs to complete – increase by 1%	**—**	**—**	**30**	**195**
Land value per acre – increase by 5%	**26**	**156**	**—**	**—**

	Impact on valuation 2015 £'000			
	Industrial	Land	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	—	—

Investment properties under construction are developments which have been valued at 31 December 2016 at fair value by the Directors of the Company using the residual method at £22,755,000 (2015: £21,617,000). 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 2015, 31 December 2015 and 31 December 2016	**35,772**
Fair value adjustments	
At 1 January 2015	(31,963)
Provisions for losses	(788)
At 31 December 2015	(32,751)
Reversal of provisions for losses	**5,467**
At 31 December 2016	**(27,284)**
Carrying amount	
At 31 December 2016	**8,488**
At 1 January 2016	3,021
At 1 January 2015	3,809

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 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 34. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of:

- Road Link (A69) Holdings Limited which is 61.2% owned by Henry Boot Construction Limited;
- 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.

Subsequent events

On 1 April 2017 Banner Plant Limited acquired the assets and on-going business of Premier Plant and Tool Hire Limited for £2.8m.

15. Investment in joint ventures and associates

	2016			2015		
Group	**Joint ventures £'000**	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Cost						
At 1 January	**2,290**	**1,500**	**3,790**	1,367	—	1,367
Share of profit for the year	**1,502**	**21**	**1,523**	923	—	923
Additions	**800**	**—**	**800**	—	1,500	1,500
Dividends received	**(965)**	**—**	**(965)**	—	—	—
At 31 December	**3,627**	**1,521**	**5,148**	2,290	1,500	3,790

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

	2016			2015		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Investment property	**6,187**	**—**	**6,187**	5,884	—	5,884
Current assets	**3,409**	**1,530**	**4,939**	654	1,500	2,154
Non-current assets	**—**	**66**	**66**	—	—	—
Total assets	**9,596**	**1,596**	**11,192**	6,538	1,500	8,038
Current liabilities	**(2,639)**	**(75)**	**(2,714)**	(948)	—	(948)
Non-current liabilities	**(3,330)**	**—**	**(3,330)**	(3,300)	—	(3,300)
Net investment	**3,627**	**1,521**	**5,148**	2,290	1,500	3,790

	2016			2015		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Revenue	**8,097**	**26**	**8,123**	458	—	458
Administration and other expenses	**(6,504)**	**(1)**	**(6,505)**	(175)	—	(175)
Increase in fair value of investment properties	**262**	**—**	**262**	690	—	690
Operating profit	**1,855**	**25**	**1,880**	973	—	973
Finance (costs)/income	**(98)**	**—**	**(98)**	(50)	—	(50)
Profit before tax	**1,757**	**25**	**1,782**	923	—	923
Tax	**(255)**	**(4)**	**(259)**	—	—	—
Share of profits after tax	**1,502**	**21**	**1,523**	923	—	923

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

16. Trade and other receivables

	Group		Parent Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade receivables	**66,392**	50,270	**296**	73
Prepayments	**3,487**	12,326	**633**	672
Amounts owed by related companies	**2,634**	2,359	**—**	—
Amounts owed by Group undertakings	**—**	—	**190,822**	196,966
	72,513	64,955	**191,751**	197,711
Due within one year	**66,921**	54,448	**191,751**	197,711
Due after more than one year	**5,592**	10,507	**—**	—
	72,513	64,955	**191,751**	197,711

Included in the Group's trade receivables balance are receivables with a carrying amount of £5.1m (2015: £4.3m) 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.

16. Trade and other receivables continued

Ageing of past due but not impaired trade receivables

	2016 £'000	2015 £'000
30–60 days	**4,145**	3,337
60–90 days	**230**	693
90–120 days	**515**	130
120+ days	**247**	164
	5,137	4,324

Movement in the allowance for doubtful receivables

	2016 £'000	2015 £'000
At 1 January	**303**	235
Impairment losses recognised	**368**	118
Amounts written off as uncollectable	**(21)**	(17)
Amounts recovered during the year	**(2)**	(33)
At 31 December	**648**	303

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

	2016 £'000	2015 £'000
0–30 days	**46**	40
30–60 days	**4**	2
60–90 days	**4**	2
90–120 days	**34**	28
120+ days	**560**	231
	648	303

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

Parent Company

Amounts owed by Group undertakings are unsecured and are stated net of provisions for irrecoverable amounts of £2,390,000 (2015: £4,248,000), of which £3,000 (2015: £1,688,000) has been provided in the year and £1,861,000 (2015: £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 2015	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
Recognised in income	**266**	**(242)**	**—**	**(65)**	**(41)**
Recognised in other comprehensive income	**—**	**3**	**964**	**—**	**967**
At 31 December 2016	**622**	**—**	**4,487**	**140**	**5,249**
Parent Company					
At 1 January 2015	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
Recognised in income	**—**	**—**	**—**	**(42)**	**(42)**
Recognised in other comprehensive income	**—**	**—**	**964**	**—**	**964**
At 31 December 2016	**28**	**—**	**4,487**	**179**	**4,694**

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 £2,670,000 (2015: £2,254,000). 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, substantively enacted on 26 October 2015, and from 19% to 17% effective from 1 April 2020, substantively enacted on 6 September 2016, deferred tax balances at the year end have been measured at 17% (2015: 20% and 18%) being the rate at which timing differences are expected to reverse.

18. Inventories

	2016 £'000	2015 £'000
Property developments in progress	**16,963**	24,249
House builder land and work in progress	**13,065**	7,873
Land held for development or sale	**70,087**	73,916
Options to purchase land	**10,664**	9,274
Planning promotion agreements	**27,136**	23,629
	137,915	138,941

Within developments in progress £294,000 (2015: £67,000) 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 £2,923,000 (2015: £2,340,000) 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.

19. Construction contracts

	2016 £'000	2015 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in trade receivables	**17,638**	2,322
Amounts due to contract customers included in trade payables	**(4,656)**	(6,529)
	12,982	(4,207)
Contract costs incurred plus recognised profits less recognised losses to date	**490,693**	357,110
Less: progress billings	**(477,711)**	(361,317)
	12,982	(4,207)

At 31 December 2016, retentions held by customers for contract work amounted to £1,614,000 (2015: £1,947,000). Advances received from customers for contract work amounted to £4,656,000 (2015: £6,529,000).

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.

Assets classified as held for sale comprise the following:

	Investment property	
	2016 £'000	2015 £'000
Fair value		
At 1 January	**—**	260
Transfer from investment property	**775**	13,163
Transfer from property, plant and equipment	**275**	—
Disposals	**—**	(13,423)
At 31 December	**1,050**	—
Adjustment in respect of tenant incentives	**—**	—
Market value at 31 December	**1,050**	—

Assets classified as held for sale have been valued at 31 December 2016 at fair value by the Directors of the Company at £1,050,000 (2015: £nil).

21. Trade and other payables

	Group		Parent Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	**54,077**	58,804	**1,340**	1,690
Social security and other taxes	**3,263**	4,250	**333**	367
Accrued expenses	**1,368**	1,887	**773**	887
Deferred income	**7,010**	6,027	**—**	—
Amounts owed to related parties	**46**	55	**—**	—
Amounts owed to Group undertakings	**—**	—	**71,243**	79,656
	65,764	71,023	**73,689**	82,600
Due within one year	**61,149**	64,384	**73,689**	82,600
Due after more than one year	**4,615**	6,639	**—**	—
	65,764	71,023	**73,689**	82,600

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 Group's Land Promotions and three of the Group's property developments.

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

Amounts credited to the Consolidated Statement of Comprehensive Income during the year were £18,000 (2015: £ 917,000).

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

23. Capital risk management

The Group's objectives when managing capital are:

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

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

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and cash equivalents and at 31 December 2016 this was £32.9m (2015: £38.9m). Equity comprises all components of equity and at 31 December 2016 this was £233.5m (2015: £221.5m).

During 2016 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 2017 we exercised our option to extend the facilities by one year to 17 February 2020. 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.

24. Borrowings

	Group		Parent Company	
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000
Bank overdrafts	**—**	2	**1,008**	478
Bank loans	**32,684**	42,389	**30,000**	40,000
Government loans	**7,580**	8,582	**—**	—
	40,264	50,973	**31,008**	40,478
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	**33,648**	43,327	**31,008**	40,760
In the second year	**4,323**	2,871	**—**	—
In the third to fifth years inclusive	**2,967**	5,697	**—**	—
After five years	**—**	—	**—**	—
	40,938	51,895	**31,008**	40,760
Due within one year	**33,648**	43,327	**31,008**	40,760
Due after one year	**7,290**	8,568	**—**	—
	40,938	51,895	**31,008**	40,760

The weighted average interest rates paid were as follows:

	2016 **%**	2015 %
Bank overdrafts	**2.42**	2.52
Bank loans – floating rate	**2.12**	2.25
Bank loans – floating rate (relating to Road Link (A69) Limited)	**—**	1.51
Bank loans – floating rate (relating to Stonebridge Offices Limited)	**2.97**	3.08
Bank loans – floating rate (relating to Stonebridge Projects Limited)	**2.38**	—
Government loans	**2.37**	2.65

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, Stonebridge Offices Limited and Stonebridge Projects 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.

The Stonebridge Projects Limited revolving loan facility is secured by a specific charge over the freehold property of that company and is guaranteed by Henry Boot PLC. The loan can be drawn against on a monthly basis and was first drawn against on 22 April 2016. The loan is repayable from the proceeds of residential house sales with full and final settlement becoming due on 22 April 2019.

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 £2,381,000 (2015: £2,626,000) and £319,000 (2015: £319,000) respectively.

24. Borrowings continued

Government loans from the Homes and Communities Agency (HCA) were issued with a fixed level of interest of £398,000 (2015: £407,000); their fair values are £3,760,000 (2015: £4,163,000) (Education Campus) and £1,120,000 (2015: £1,474,000) (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 £300,000 (2015: £150,000) were made during the year. The repayments are calculated at £8,000 per residential unit, are linked to the Land Registry House Price Index and are subject to certain minimum repayment amounts.

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

Repayment of the Education Campus HCA loan commenced during the year upon the occupation of the first dwelling and follows for each occupation thereafter until the total contribution sum is repaid in full. Repayments of £446,056 (2015: £nil) were made during the year. The repayments are calculated at £8,587 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). The base figure of £8,587 is reviewed following the occupation of the first 300 dwellings and every 300 dwellings thereafter in addition to every second anniversary of the loan agreement date and any date after 2022 following notice served from the HCA. If the HCA is not satisfied that the base rate will guarantee repayment of the total contribution sum before the completion of the last residential unit, it has the right to increase the base figure accordingly. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

Repayment of the Phase II Road Infrastructure HCA loan commenced during 2015 upon the occupation of the 1,151st dwelling. Repayments of £354,808 (2015: £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 of each year until 2019, advance payments will be required. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

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

Based on approximate average borrowings during 2016, a 1.0% (2015: 1.0%) change in interest rates, which the Directors consider to be a reasonable possible change, would affect profitability before tax by £406,000 (2015: £504,000).

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

At 31 December 2016, the Group had available £32,500,000 (2015: £35,129,000) undrawn committed borrowing facilities.

25. Provisions

	Land promotion £'000	Road maintenance £'000	Total £'000
At 1 January 2016			
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
Additional provisions in year	**831**	**870**	**1,701**
Unwinding of discount	**2**	**—**	**2**
Utilisation of provisions	**(1,250)**	**(677)**	**(1,927)**
At 31 December 2016	**7,784**	**1,336**	**9,120**
Included in current liabilities	**5,333**	**1,336**	**6,669**
Included in non-current liabilities	**2,451**	**—**	**2,451**
	7,784	**1,336**	**9,120**

The land promotion provision represents management's best estimate of the Group's liability to provide infrastructure and service obligations, which remain with the Group following the disposal of land. The provision is calculated using the present value of the estimated cash flows required to settle the present obligations, pro rata on an acreage allocation basis where disposals occur over a number of phases, such that provisions are only made in relation to the land which has been disposed of. Based on a 1.0% change in the discount rate and a 5.0% change in the estimated cash outflows, both of which the Directors consider to be a reasonable possible change, land promotion provisions would change and affect profitability before tax by £93,000 and £379,000 respectively (2015: £111,000 and £390,000).

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

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset. Based on a 5.0% change in the estimated cash outflows, which the Directors consider to be a reasonable possible change, the road maintenance provision would change and affect profitability before tax by £129,000 (2015: £146,000).

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 promotions at Bridgwater and Cranbrook, spanning 122 and 53 acres respectively (2015: 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 94 and 24 acres respectively (2015: 86 and 23), and has subsequently recognised provisions to the value of £7,783,000 (2015: £8,201,000), being the Group's best estimate of the consideration required to settle the present obligations at the reporting date. Subsequent disposals are expected to occur over a number of phases; provisions are made in relation to the land which has been disposed of. The present value of the estimated cash flows relating to future disposals, amounting to £5,885,000 (2015: £7,071,000), has therefore not been recognised in these Financial Statements.

26. Retirement benefit obligations

Defined contribution pension plan

The Group operates a defined contribution pension plan for all qualifying employees. The plan is administered and managed by Aviva and the Group matches member contributions, providing a minimum of 4% (2015: 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 £1,220,000 (2015: £919,000) represents contributions payable to the plan by the Group.

Defined benefit pension scheme

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

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

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

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

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

Investment risk

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

Interest rate risk

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

Inflation risk

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

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 2015. The results of that valuation have been projected to 31 December 2016 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:

	2016 **%**	2015 %
Retail Prices Index 'Jevons' (RPIJ)	**n/a**	2.30
Retail Prices Index (RPI)	**3.00**	3.00
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)	**2.00**	2.30
Revaluation of deferred pensions	**2.00**	2.00
Liabilities discount rate	**2.80**	3.80

26. Retirement benefit obligations continued

Mortality assumptions	**2016** **Years**	2015 Years
Retiring today (aged 65)		
Male	**22.1**	21.9
Female	**24.2**	24.2
Retiring in 20 years (currently aged 45)		
Male	**23.4**	23.2
Female	**25.7**	25.8

The mortality assumptions adopted are the Self Administered Pension Schemes (SAPS) tables with allowance for future improvements in line with Continuous Mortality Investigation (CMI) 2015 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 3.4%	Decrease by 3.3%
Rate of general increases in salaries	0.25%	Nil*	Nil*
Liabilities discount rate	0.25%	Decrease by 4.0%	Increase by 4.0%
Rate of mortality	1 year	Increase by 3.7%	Decrease by 3.7%

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

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

	2016 **£'000**	2015 £'000
Service cost:		
Current service cost	**1,112**	1,308
Ongoing scheme expenses	**493**	328
Settlement	**—**	(8)
Net interest expense	**691**	951
Pension Protection Fund	**168**	118
Pension expenses recognised in profit or loss	**2,464**	2,697
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(12,528)**	723
Actuarial losses/(gains) arising from changes in demographic assumptions	**1,590**	(1,338)
Actuarial losses/(gains) arising from changes in financial assumptions	**22,972**	(5,387)
Actuarial (gains) arising from experience adjustments	**(3,077)**	—
Actuarial losses/(gains) recognised in other comprehensive income	**8,959**	(6,002)
Total	**11,422**	(3,305)

26. Retirement benefit obligations continued

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

	2016 £'000	2015 £'000
Present value of scheme obligations	**190,974**	170,214
Fair value of scheme assets	**(164,578)**	(150,637)
	26,396	19,577

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

	2016 £'000	2015 £'000
Non-current liabilities	**26,396**	19,577

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

	2016 £'000	2015 £'000
At 1 January	**170,214**	176,641
Current service cost	**1,112**	1,308
Interest on obligation	**6,336**	6,253
Contributions from scheme members	**2**	5
Actuarial losses/(gains)	**21,486**	(6,725)
Liabilities extinguished on settlements	**—**	(562)
Benefits paid	**(8,176)**	(6,706)
At 31 December	**190,974**	170,214

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

	2016 £'000	2015 £'000
At 1 January	**150,637**	148,483
Interest income	**5,645**	5,302
Actuarial gains/(losses) on scheme assets	**12,528**	(723)
Employer contributions	**4,435**	5,158
Contributions from scheme members	**2**	5
Assets distributed on settlements	**—**	(554)
Benefits paid	**(8,176)**	(6,706)
Ongoing scheme expenses	**(493)**	(328)
At 31 December	**164,578**	150,637

26. Retirement benefit obligations continued

The categories of plan assets are as follows:

	2016 £'000	2015 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	**40,207**	47,407
Synthetic equity	**11,093**	11,997
Diversified growth funds	**38,559**	44,768
Corporate bonds	**20,127**	19,110
Diversified credit funds	**26,487**	10,071
Cash and net current assets	**5,238**	7,706
Unquoted investments:		
Direct lending	**10,835**	9,578
Collateralised loan obligations	**12,032**	—
At 31 December	**164,578**	150,637

Included in equities are 670,000 (2015: 1,295,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £1,350,050 (2015: £2,900,800).

The weighted average duration of the defined benefit obligation is 16.6 years (2015: 15.9 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2017 financial year is £3,565,000, being £3,563,000 payable by the Group and £2,000 payable by scheme members.

The Company's level of recovery plan funding to the scheme is £2,500,000 per annum, which will be reviewed at the next triennial valuation. In addition to this, the Company contributes a further £260,000 per annum towards the administration expenses of the scheme.

27. Operating leases

The Group as lessee

	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised in the Consolidated Statement of Comprehensive Income for the year	**295**	276

At 31 December 2016, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 £'000	2015 £'000
Within one year	**299**	255
In the second to fifth years inclusive	**879**	586
After five years	**578**	440
	1,756	1,281

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.

27. Operating leases continued

The Group as lessor

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

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

	2016 **£'000**	2015 £'000
Within one year	**7,458**	6,507
In the second to fifth years inclusive	**27,814**	26,170
After five years	**73,314**	67,558
	108,587	100,235

28. 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	**2016** **£'000**	2015 £'000
Management charges receivable	**1,140**	1,140
Interest receivable	**7,481**	8,049
Interest payable	**(2,215)**	(2,333)
Rents payable	**(154)**	(180)
Recharge of expenses	**116**	127

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

Purchases of goods and services	**2016** **£'000**	2015 £'000
Close family members of key management personnel (amounts paid for IT services)	**44**	38
Related companies of key management personnel (amounts paid for Non-executive Director services)	**42**	41

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 key management personnel of the Group are the Board of Directors and members of the Senior Management team of wholly owned subsidiaries, as presented on page 50 to 52. They are responsible for making all of the strategic decisions of the Group and its subsidiaries, as detailed on page 4 and 16. The remuneration of the Board of Directors is set out in the Remuneration Report on pages 66 to 74. The remuneration of the relevant four (2015: four) members of the Senior Management team is set out below, in aggregate, for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2016 **£'000**	2015 £'000
Short-term employee benefits	**1,228**	1,127
Post-employment benefits	**32**	54
Share-based payments	**—**	—
	1,260	1,181

29. Share capital

	Allotted, issued and fully paid	
	2016 **£'000**	2015 £'000
400,000 5.25% cumulative preference shares of £1 each (2015: 400,000)	**400**	400
132,080,138 ordinary shares of 10p each (2015: 132,041,358)	**13,208**	13,204
	13,608	13,604

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:

(i) The Henry Boot 2010 Sharesave Plan

This savings related share option plan was approved by shareholders in 2010 and is HMRC approved. Grants of options to participating employees were made on 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 2017. 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 2015	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2016**
October 2014 grant	1,067,703	**–**	**(78,738)**	**(38,780)**	**950,185**

The weighted average share price at the date of exercise for share options exercised during the year was 196.82p (2015: 213.00p).

(ii) 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.

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

	2016 **Number**	2015 Number
Share options granted at 1 January	**903,060**	1,293,278
Lapses of share options in year	**(205,389)**	(555,426)
Awards of shares in year	**(113,714)**	(103,641)
Share options granted in year	**297,524**	268,849
Share options granted at 31 December	**881,481**	903,060

The weighted average share price at the date of exercise for share options exercised during the year was 197.50p (2015: 234.00p).

29. Share capital continued

(iv) 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 2015	Options granted	Options lapsed	Options exercised	**Options outstanding at 31 December 2016**
May 2011 grant	42,000	**—**	**—**	**—**	**42,000**
October 2014 grant	155,000	**—**	**(10,000)**	**—**	**145,000**

The weighted average share price at the date of exercise for share options exercised during the year was nil (2015: 225.88p).

Fair value

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

	LTIP	CSOP 2011 grant	CSOP 2015 grant	Sharesave 2015
Weighted average exercise price	Nil	121.5p	191.0p	172.0p
Weighted average share price	217.4p	121.5p	191.0p	181.0p
Expected volatility	30.72% to 32.10%	41.47%	31.17%	31.45%
Expected life	3 years	3 years	3 years	3 years
Risk-free rate	0.57% to 1.26%	1.67%	1.23%	0.82%
Expected dividend yield	2.71% to 3.16%	5.02%	3.16%	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 97.69p (2015: 106.75p).

Expense recognised in the Consolidated Statement of Comprehensive Income

	2016 £'000	2015 £'000
The total expense recognised in the Consolidated Statement of Comprehensive Income arising from share-based payment transactions	**510**	492

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

30. Reserves

			Other				
Group	Property revaluation £'000	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Hedging £'000	Total other £'000
At 1 January 2015	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
Profit for the year	**—**	**28,259**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**(8,318)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**—**	**63**	**—**	**—**	**63**
Increase in fair value in year	**30**	**—**	**—**	**—**	**—**	**—**	**—**
Deferred tax on revaluation surplus	**3**	**—**	**—**	**—**	**—**	**—**	**—**
Realised revaluation surplus	**(118)**	**118**	**—**	**—**	**—**	**—**	**—**
Arising on employee share schemes	**—**	**277**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**—**	**(8,959)**	**—**	**—**	**—**	**—**	**—**
Current tax on actuarial loss	**—**	**428**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**—**	**964**	**—**	**—**	**—**	**—**	**—**
At 31 December 2016	**3,879**	**210,664**	**271**	**4,131**	**209**	**—**	**4,611**

		Other				
Parent Company	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Investment revaluation £'000	Total other £'000
At 1 January 2015	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
Profit for the year	**21,038**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**(8,318)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**63**	**—**	**—**	**63**
Arising on employee share schemes	**74**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**(8,959)**	**—**	**—**	**—**	**—**	**—**
Current tax on actuarial loss	**428**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**964**	**—**	**—**	**—**	**—**	**—**
At 31 December 2016	**54,835**	**271**	**4,131**	**211**	**1,135**	**5,748**

30. 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.

31. Cost of shares held by the ESOP trust

Group	2016 £'000	2015 £'000
At 1 January	**345**	550
Additions	**959**	—
Disposals	**(233)**	(205)
At 31 December	**1,071**	345

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 2016, the Trustee held 523,606 shares (2015: 177,320 shares) with a cost of £1,071,330 (2015: £344,787) and a market value of £1,055,066 (2015: £397,197). 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.

32. Cash generated from operations

		Group		Parent Company	
		2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Profit before tax		**39,491**	32,410	**22,191**	7,539
Adjustments for:					
Amortisation of PFI asset	11	**1,251**	1,193	**—**	—
Goodwill impairment	11	**203**	203	**—**	—
Depreciation of property, plant and equipment	12	**4,022**	3,637	**92**	76
Impairment gain on land and buildings	12	**—**	(10)	**—**	—
Revaluation decrease in investment properties	13	**1,783**	2,009	**—**	—
Amortisation of capitalised letting fees	3	**36**	52	**—**	—
Share-based payment expense	4	**510**	492	**307**	297
Pension scheme credit		**(2,140)**	(2,579)	**(2,140)**	(2,579)
Movements on provision against investments in subsidiaries	14	**—**	—	**(5,467)**	788
Movements on provision against loans to subsidiaries		**—**	—	**(1,858)**	1,688
Profit on disposal of assets held for sale	3	**—**	(485)	**—**	—
(Gain)/loss on disposal of property, plant and equipment	3	**(506)**	(296)	**10**	—
Gain on disposal of investment properties		**(647)**	(747)	**—**	—
Finance income	5	**(156)**	(1,438)	**(22,695)**	(18,208)
Finance costs	6	**1,670**	1,617	**3,145**	3,391
Share of profit of joint ventures and associates	15	**(1,523)**	(923)	**—**	—
Operating cash flows before movements in equipment held for hire		**43,994**	35,135	**(6,415)**	(7,008)
Purchase of equipment held for hire	12	**(4,048)**	(4,057)	**—**	—
Proceeds on disposal of equipment held for hire		**648**	334	**—**	—
Operating cash flows before movements in working capital		**40,594**	31,412	**(6,415)**	(7,008)
Decrease/(increase) in inventories		**1,478**	(13,706)	**—**	—
(Increase)/decrease in receivables		**(7,515)**	(9,381)	**14,242**	488
(Decrease)/increase in payables		**(6,012)**	(3,117)	**(9,716)**	199
Cash generated from/(used by) operations		**28,545**	5,208	**(1,889)**	(6,321)

33. Guarantees and contingencies

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

The Parent Company has given cross guarantees to certain of the Group's bankers and bondsmen in respect of facilities available to Group undertakings in the normal course of business. Guarantees relating to bonds are impracticable to quantify.
In the opinion of the Directors, no loss is expected to arise in connection with these matters.

34. 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 2016, 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 promotion
First National Housing Trust Limited	100%	Direct	Property investment
Fox Valley Management Company Limited	100%	Indirect	Management company

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

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Hallam Land Management Limited	100%	Direct	Land promotion
Henry Boot Biddenham Limited	100%	Direct	Land promotion
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 Investments 1 Limited	100%	Indirect	Property development
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 promotion
Henry Boot Land Holdings Limited	100%	Direct	Land promotion
Henry Boot Leasing Limited	100%	Direct	Motor vehicle leasing to Group companies
Henry Boot Nottingham Limited	100%	Indirect	Inactive
Henry Boot (Manchester) Limited	100%	Direct	Property development
Henry Boot Projects Limited	100%	Direct	Property investment and development
Henry Boot Swindon Limited	100%	Direct	Land promotion
Henry Boot Tamworth Limited	100%	Indirect	Property investment and development
Henry Boot Wentworth Limited	100%	Direct	Property development
Henry Boot Whittington Limited	100%	Direct	Property investment
Investments (North West) Limited	100%	Indirect	Property development
Marboot Centregate Ltd	100%	Indirect	Property investment
Marboot Centregate 2 Limited	100%	Indirect	Inactive
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
The Residence (York) Management Company Limited	100%	Indirect	Management company
Victoria Gardens (Headingley) Management Company Limited	100%	Indirect	Management company
Waterloo Court Management Company Limited	17%	Indirect	Management company
Winter Ground Limited	100%	Indirect	Property investment and development

Joint ventures and associates	Proportion of ownership	Direct or indirect	Activity
Aytoun Street Developments Limited	50%	Indirect	Property development
Bigmouth Manchester Limited	50%	Indirect	Property development
Capital & Centric (Salford Quays) Limited	5%	Indirect	Property development
Henry Boot Barnfield Limited	50%	Indirect	Property development
I-Prop Developments Limited	50%	Indirect	Property development
Kampus Holdings Sarl	5%	Indirect	Property investment and 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

SHAREHOLDER INFORMATION

Pictured Building works have now commenced on our site at Lubbersthorpe, Leicestershire, where we secured a planning permission for 4,250 homes, our share being 1,593 properties, in 2013.

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 2016

Dear Sirs

HENRY BOOT PLC

Group property portfolio valuation as at 31 December 2016

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 2016. The valuations have been prepared in accordance with the 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 regarding the foregoing we are of the opinion that the aggregate Market Value of the freehold and leasehold interests owned by Henry Boot PLC and its subsidiaries, as at 31 December 2016 is:

Freehold Properties	£95,970,000
Leasehold Properties	£9,550,000
Mixed Tenure Properties	£225,000
TOTAL	**£105,745,000**

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

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

Yours faithfully

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

Jones Lang LaSalle Limited
Registered in England and Wales Number 1188567
Registered Office 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 25 May 2017 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 2016.

Resolution 2
To declare a final dividend of 4.50p per ordinary share.

Resolution 3
To approve the Directors' Remuneration Report for the year ended 31 December 2016.

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 Audit Committee 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 £4,403,311, provided that (unless previously revoked, varied or renewed) this authority shall expire on 24 August 2018 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.

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 £660,496,

and (unless previously revoked, varied or renewed) this power shall expire on 24 August 2018 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 24 August 2018; 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
21 April 2017

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 the close of business on 23 May 2017 (or, if the meeting is adjourned, at the close of business 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. 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.

4. 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 23 May 2017 (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).

5. 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.eproxyappointment.com. For an electronic proxy appointment to be valid, the appointment must be received by Computershare Investor Services PLC no later than 12.30pm on 23 May 2017 (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).

6. 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 23 May 2017 (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.

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.

7. 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.

8. 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.

9. 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.

10. 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).
11. 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.
12. 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
13. 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 cosec-ir@henryboot.co.uk.

    No other methods of communication will be accepted.
14. As at 3 April 2017 (being the last practicable date before publication of this notice), the Company’s issued ordinary share capital was 132,099,335 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 2016:
24 March 2017

Half-yearly Results 2017:
25 August 2017

Pre-close Trading Statement 2017:
end January 2018

Annual Report and Financial Statements

Annual Report and Financial Statements 2016 (Available and online):
by 21 April 2017

Annual General Meeting

25 May 2017

Dividends Paid on Ordinary Shares

2016 Final dividend date (Subject to approval at AGM):
30 May 2017

2017 Interim dividend date (Subject to approval):
20 October 2017

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

Hudson Sandler LLP
29 Cloth Fair
London
EC1A 7NN

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Solicitor – Corporate

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

Solicitor – Operational

Irwin Mitchell LLP
Riverside East House
2 Millsands
Sheffield
S3 8DT

Stockbrokers

Investec Bank plc
2 Gresham Street
London EC2V 7QP

GROUP
CONTACT INFORMATION

Land Promotion

Hallam Land Management Limited

Registered office and 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

Registered office and 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

Registered office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

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

Registered office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

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

Registered office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

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

Registered office and Head office
Stocksfield Hall, Stocksfield, Northumberland NE43 7TN

t: 01661 842842
e: enquiries@roadlinka69.co.uk

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

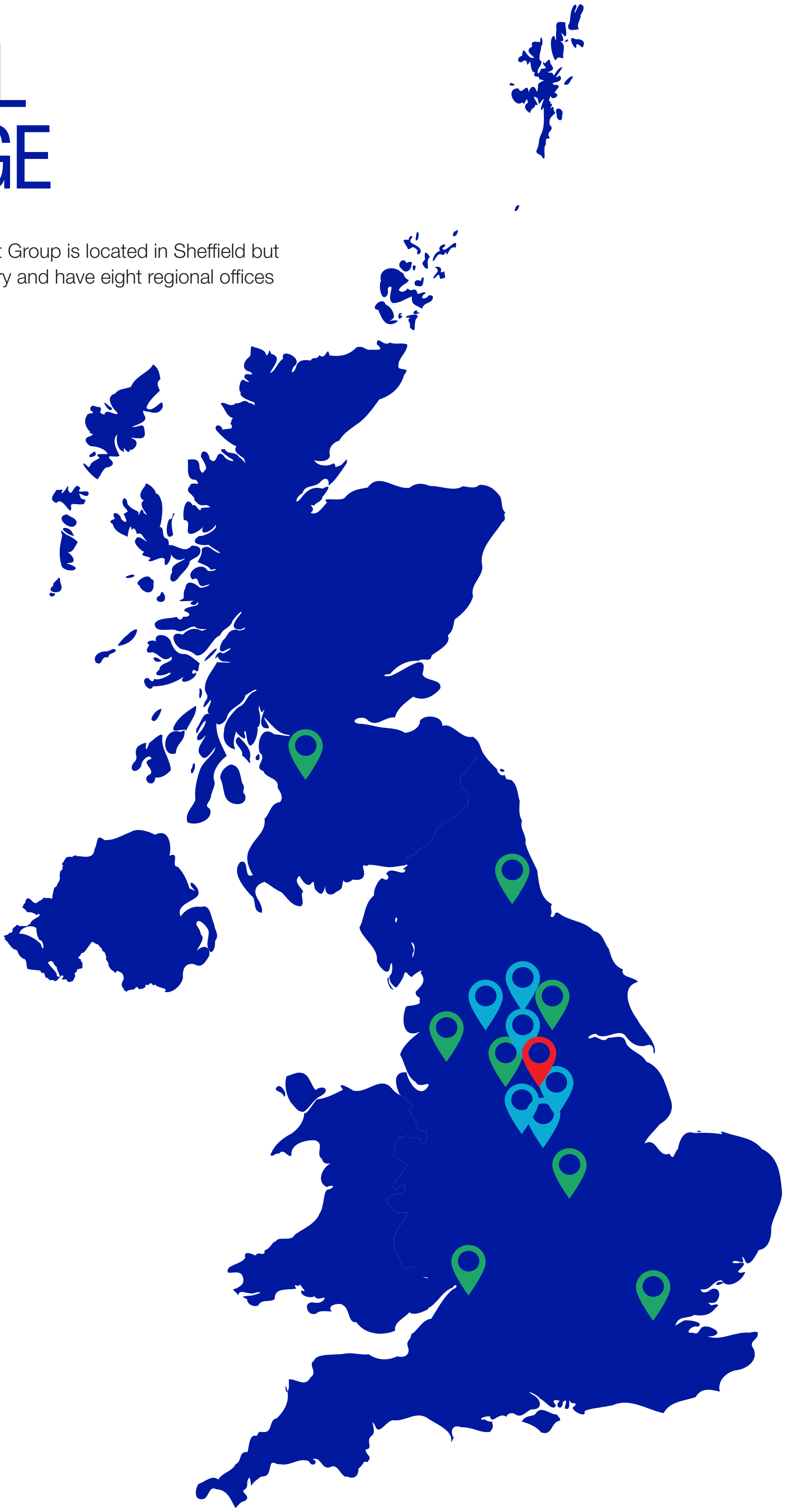
Sheffield

Offices

Bristol
Dronfield
Glasgow
Leeds
London
Manchester
Northampton
Stocksfield

Hire Centres

Chesterfield
Dronfield
Derby
Leeds
Rotherham
Wakefield



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.

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.

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