

Henry Boot PLC

Annual Report and Financial Statements
for the year ended 31 December 2017

Stock Code: BOOT.L

DELIVERING RESULTS THE HENRY BOOT WAY



Welcome to the Henry Boot PLC Annual Report 2017

EXPERIENCE AND EXPERTISE

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

Our culture, **'The Henry Boot Way'**, means that we have a unique and cohesive approach to doing business. We started the **'One Henry Boot'** Project so we could capture what **'The Henry Boot Way'** is about.

We have defined three core elements of **'The Henry Boot Way'**:
Our Purpose, Our Vision and Our Values.



Read about **'The Henry Boot Way'**
on pages 4 to 7



View the video explaining our culture and the
'One Henry Boot' Project on our corporate website



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



View the Year in Review site at
henryboot.annualreport2017.com



Inside this Report

Group at a Glance

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

 See pages 10 and 11



Segmental Reviews

Land Promotion, Property Investment and Development, and Construction.

 See pages 30 to 35

The 'One Henry Boot' Project

 See pages 14 and 15



Business Model

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

 See pages 16 to 19



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PURPOSE AND VISION



JAMIE BOOT
Chairman

I am very pleased to report a 40% increase in profit before tax to £55m for the year ended 31 December 2017. These record results produced an earnings per share increase of 49% to 32.1p, and retained earnings, which benefited from a slightly lower pension deficit, resulted in our net asset value per share exceeding 200p for the first time. Total capital employed rose to £270m.

As an indication of the volume of activity undertaken in 2017, revenue exceeded £400m in the year, which is more than double that achieved two years ago in 2015, as we deliver projects such as the new Aberdeen Exhibition and Conference Centre, the residential conversion of the former Terry's Chocolate Factory and the extension of our Markham Vale industrial scheme. We also sold 15 strategic land sites, delivered over £60m of construction work, £17m of plant hire sales and almost £25m of new house sales through our joint venture house builder, Stonebridge Homes.

We were also successful in adding future opportunities into the Group's divisions, with the estimated value of the longer term, commercial development scheme pipeline now exceeding £1.0bn for the first time. Our strategic land acreage increased by over 10% to more than 13,000 acres, after taking account of the acreage sold during the year. We also added some 2,200 plots to our inventory of plots to sell, having obtained planning permission on some 4,500 plots during the year. The scale and number of these sites and schemes, held as inventory, are once again at record levels, giving us confidence that we can continue to deliver sustainable returns to our stakeholders well into the future.

Dividend

In view of the strong performance in the year, I am pleased to report that the Board is recommending a final dividend of 5.20p, giving a total for the year of 8.00p, an increase of 14% over the total paid for the 2016 year. Payment of the final dividend is subject to shareholder approval at the Annual General Meeting and will be paid on 30 May 2018 to shareholders on the register as at 27 April 2018.

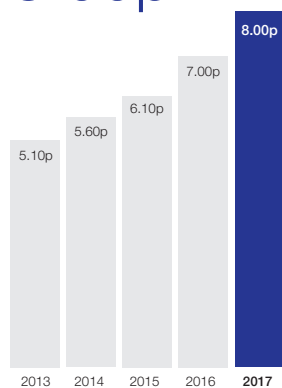
Profit before tax

£55.4m



Dividend per ordinary share

8.00p



Our People

The very successful operational and financial results achieved in 2017 are a direct reflection of all the people within Henry Boot whose skill, talent and hard work have once again delivered positive results for all our stakeholders. In last year's Annual Report, we highlighted that we had commenced a project called 'One Henry Boot'. Its purpose was to understand 'The Henry Boot Way' and our culture; and to focus on our Purpose, Vision and Values. We recognise that our people play, and will continue to play, a crucial role in our business success. Initiating this project demonstrates our commitment to the ongoing empowerment and development of them, our most valuable resource. On behalf of the Board, shareholders and other stakeholders, we thank all our people for their contribution and look forward to reporting on their success in the future.

Outlook

Our key strategic aim is to empower and develop our people to create long-term value and sustainable growth for our stakeholders. In 2017, we achieved a great financial result, whilst strengthening our ability to replicate this in future years. Our Group is focused on UK real estate and we are therefore very mindful of the cyclical nature of our marketplace and also the current background level of uncertainty regarding negotiations to leave the EU.

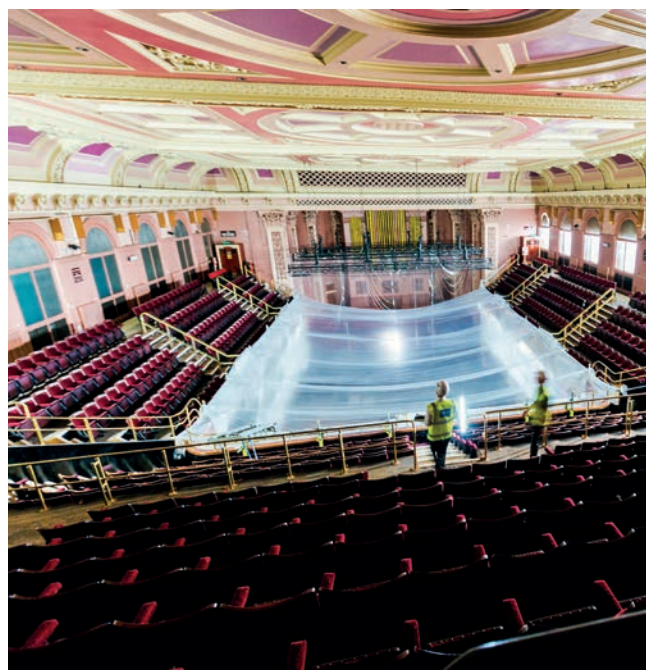
However, we take our lead from our customers who, in 2017, were very supportive and, whilst it is still early days, the new year indications are equally positive. In the wider marketplace, current expectations are that economic growth will be similar to 2017 for the next two years, supported by a generally strong global economy.

We have made a good start to the 2018 financial year, having already concluded a number of land sales. In addition, we have a strong pipeline of construction work, commercial development projects and strategic land sites working through the marketing process, on which to capitalise through the year. Our focus consequently continues to be on the profitable delivery of these schemes and the value they will create for all our stakeholders. I look forward to reporting on our success in doing this through 2018 and beyond.

JAMIE BOOT
Chairman
20 April 2018

“We recognise that our people play, and will continue to play, a crucial role in our business success.”

JAMIE BOOT
Chairman



Read about the **Board of Directors**
on pages 58 to 59

Pictured: St George's Hall, the Grade II listed building is being restored by Henry Boot Construction.

'The Henry Boot Way'

A DIFFERENT PERSPECTIVE

We have been in business for over 130 years and our financial results and performance have always been, and will continue to be, dependent on our people.

We often use the phrase **'The Henry Boot Way'** to explain how we work and to describe what's expected of us and others. We started the 'One Henry Boot' Project so we could capture what **'The Henry Boot Way'** is about. We have defined three core elements of **'The Henry Boot Way'**: **Our Purpose**, **Our Vision** and **Our Values**.



Watch the video explaining our culture and the **'One Henry Boot'** Project on our corporate website



Read more about the **'One Henry Boot'** Project on pages 14 and 15

Our Purpose

To empower and develop our people to create long-term value and sustainable growth for our stakeholders.*



Our Vision

Our people, partners and communities continue to trust our reputation, respect our expertise and value us for our forward-thinking approach.



* Our stakeholders are our shareholders, employees, pensioners, customers and suppliers. More broadly, we recognise our duties to the environment and the communities in which we operate.



WHAT WE BELIEVE IN

Our Values

Respect

- We treat everyone in the way they **wish to be treated**.
- We **think about what we do**, how we do it and how it will impact others.
- We recognise and value **difference**.
- We recognise and value everyone's **individual contribution**.
- We foster two-way, clear and **constructive communication**.
- We strive to always meet our **commitments** and **obligations**.
- We put **sustainability** and **safety** at the heart of what we do.

Integrity

- We **do what we say** we are going to do.
- We **keep our promises**, stay true to our word.
- We do **what is right**, not what is easy.
- We **tackle problems** head on.
- We operate with the utmost **professionalism**.
- We champion **ethical** working.
- We operate **fairly and equitably** in everything we do.

Loyalty

- We **celebrate our heritage**, our history and our achievements.
- We are committed to **giving back to our communities**.
- We build our reputation on **strong relationships**.
- We build our reputation on **repeat business**.
- We **value the longevity** of our relationships with our business and our partners.
- We are **totally committed** to our people's learning and development.
- We place great value on "**growing our own**".

Delivery

- We are **relentless** in delivering for our customer.
- We **thrive on our customers'** success.
- We deliver our **best quality work** for everyone, no matter what.
- We **get things done** properly.
- We are **skilled and resourceful** problem-solvers.
- We are all **self-motivated** to deliver.
- We set **ambitious goals** and meet them.

Adaptability

- We **welcome change**.
- We are **open to opportunities** to do things differently.
- We share our **knowledge and experience** for the greater good.
- We seek to **positively challenge** what we do and how we do it.
- We always think about **how we could do things better**.
- We stay **ahead of the game**.
- We are **resilient**, have staying power.
- We are **straightforward** to do business with.

Collaboration

- We set **clear mutual expectations** and strive to achieve them.
- We **work in partnership** to make things happen.
- We promote **cross-team working** always.
- We are a **friendly** and open bunch.
- We **look out for each other** and want to get to know people.
- We have **time and patience** for people.
- We **share our financial rewards** with our people.



Read about the 'One Henry Boot' Project on pages 14 and 15



Investment Case

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.
- **Trading 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** while maintaining at least three times dividend cover to allow for investment in future opportunities, without diluting existing shareholders by raising new equity capital.

3 Delivering residential communities

- **13,000 acres** of strategic land on **167 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 over **18,000 secured planning permission** plots.
- Given the well-documented housing shortages and the government's desire for more housing delivery our **land portfolio is well positioned** to help deliver these much needed houses.

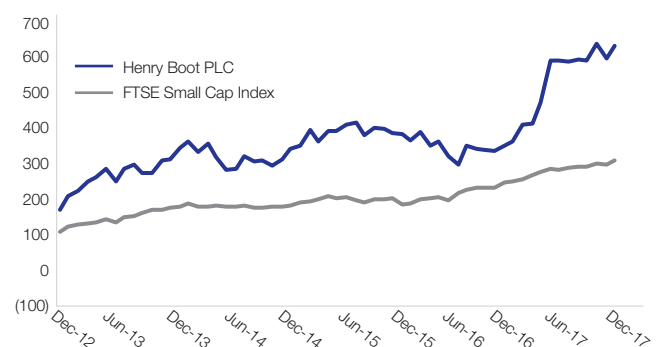
4 Delivering commercial opportunity

- A **commercial development pipeline of £1bn** plus of Gross Development Value in addition to the £450m to be delivered over the next three years.
- A small but quickly growing jointly owned house builder with a land bank of over **750 units and a medium-term planned output of 250 unit sales.**

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 160%** over the last ten years.

Five-year TSR performance



2017 Highlights

Financial Highlights

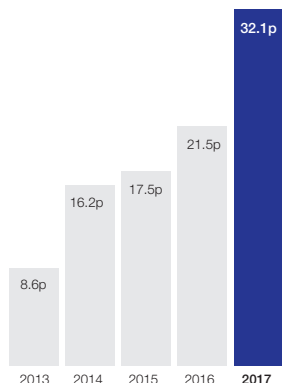
Profit before tax
£55.4m



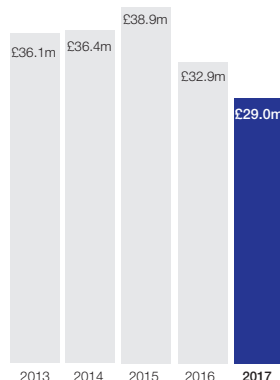
Operating profit
£56.2m



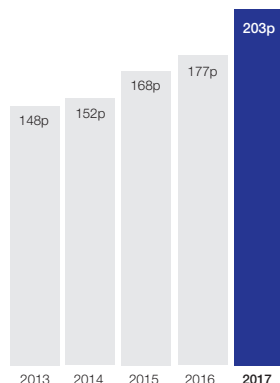
Earnings per ordinary share
32.1p



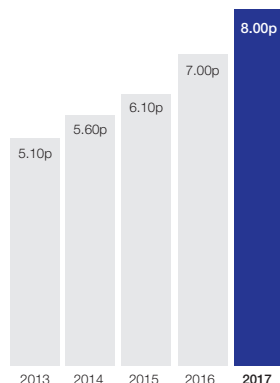
Net debt
£29.0m



Net asset value per ordinary share
203p



Dividends per ordinary share
8.00p



Operational Highlights

- Record financial performance in the Group's entire 132-year history achieved for 2017.
- Strategic land portfolio now 13,273 acres with 18,529 units permitted and 7,892 units in planning process.
- York Chocolate Factory scheme delivered in 18 months, ahead of our three-year estimation.
- £333m Aberdeen scheme progressing well, estimated completion is mid-2019.
- Delivery of the £35m Better Barnsley town centre regeneration scheme, now known as The Glass Works, continues to progress well.
- Stonebridge Homes increased their house sale total to 79.
- During 2017 Banner Plant acquired Premier Plant Tool Hire & Sales Limited in Leicester, which added a plant and a tool hire depot to its operations.
- The 'One Henry Boot' Project delivered a refreshed Purpose, Vision and Values to the Group, with a clearer understanding of 'The Henry Boot Way', our culture.

“These record Group results are a commendable achievement by our talented people.”

DARREN LITTLEWOOD
Group Finance Director

 Read the **Financial Review** on pages 36 to 39

 Read the **Segmental Reviews** on pages 30 to 35

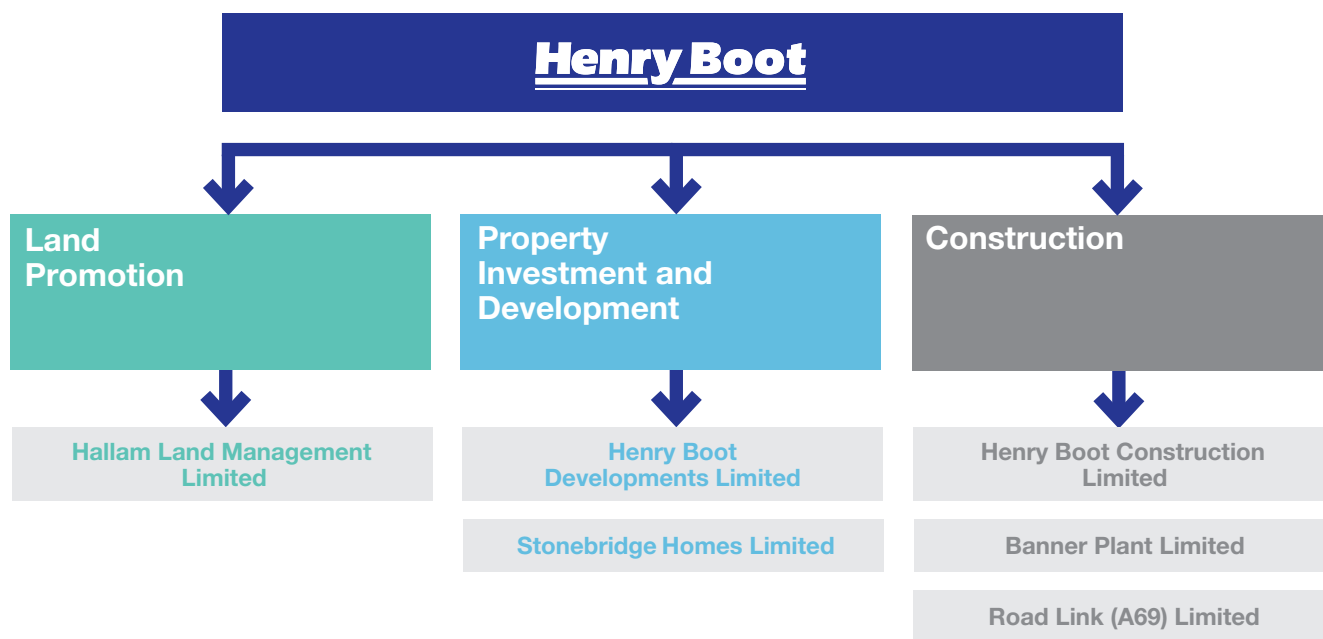
Group at a Glance

EXPERTISE AND EXPERIENCE

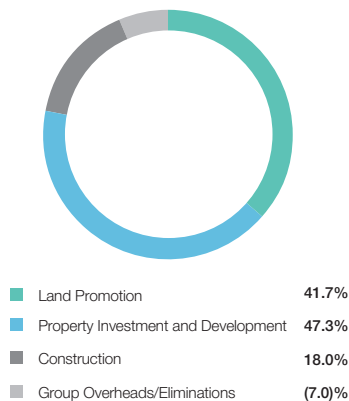
The strength of the business and our consistent growth is achieved through our Group structure and diverse business segments.

Group Structure

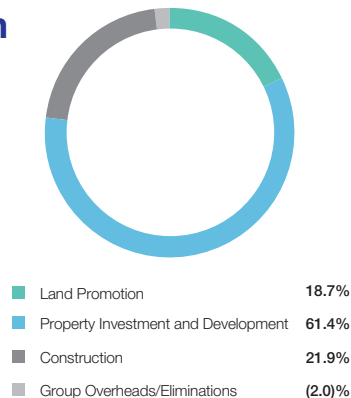
The Group is split into three different business segments consisting of six primary businesses. The Parent Company, Henry Boot PLC, provides leadership, direction and support to each segment in a number of areas, including health, safety and environment, treasury and banking operations, accounts and payroll, company secretariat, pensions, legal, human resources and training, public and investor relations, corporate communications, information communication technology and insurance.



Profit Before Tax £55.4m



Group Revenue £408.5m



Our segments

Land Promotion

Hallam Land Management



The strategic land and planning promotion arm of the Henry Boot Group. Since 1990 we have been acquiring, promoting and developing land with an outstanding record in achieving planning permission.

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. In recent years the company has built up an investment portfolio of over £120m.

Key sectors

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

Stonebridge Homes



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, in which we have strong partnering relationships.

Key sectors

- Housing, civil engineering, health, sports and leisure, commercial/retail, industrial, custodial and education.

Banner Plant



Offering a wide range of construction equipment and services for sale and hire in plant, temporary accommodation, power tools, powered access, big air compressors and serviced toilets. The range of products continues to evolve to meet customer requirements of modern health and safety legislation. Primarily, supply areas stretch from Yorkshire in the north to the East Midlands and Birmingham in the south.

Road Link (A69)



Road Link has a 30-year contract (eight 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 mileage travelled by those vehicles.





STRATEGIC REPORT

The Directors present the Group Strategic Report for the year ended 31 December 2017.

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 14 to 53 has been approved by the Board and signed on its behalf by

JOHN SUTCLIFFE
Chief Executive Officer

DARREN LITTLEWOOD
Group Finance Director

20 April 2018

20 April 2018

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The 'One Henry Boot' Project

BUILT FROM THE GROUND UP



JOHN SUTCLIFFE
Chief Executive Officer



Watch the video explaining our culture and the 'One Henry Boot' Project on our corporate website

In last year's report we introduced the 'One Henry Boot' Project. It was initiated to capture our culture, which we refer to as 'The Henry Boot Way'; and to focus on three of its core elements: Our Purpose, Our Vision and Our Values. To ensure this project was authentic to Henry Boot we asked for volunteers from across our Group of companies, who we then divided into three individual Working Groups. It was a truly collaborative effort from everyone involved and by the end of June 2017, the first phase of the project was completed.

We are currently on phase 2, which we have split into three separate stages: launch, adoption and embedding. It is very important to us that we do justice to the work undertaken, and that we ensure that the outputs from phase 1 are adopted throughout our business. To enable this to happen, 12 ambassadors were nominated to help champion the 'One Henry Boot' Project and therefore embed 'The Henry Boot Way' into everything we do. Phase 1 also helped us appreciate the importance of bringing everyone together to share feedback and how powerful this can be in helping continuous improvement in the business. As a result we formed a further eight Working Groups in phase 2 who were each given a specific important subject to debate and then put forward recommendations for improvements.

This is only the start of the journey for us. This whole process and experience has not been about reinvention, it has been about capturing what makes this business successful and recognising that our people remain vital to achieving this. 'The Henry Boot Way' will continue to be a crucial element of our business as I believe it will enable and empower our people and help us to be successful in the future.

Timeline

AUGUST 2016 Perception audit	FEBRUARY 2017 Launch of 'One Henry Boot' Project	FEBRUARY – AUGUST 2017 Defined 'The Henry Boot Way'
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Why did we carry out the ‘One Henry Boot’ Project?

- To address the feedback from the Perception Audit
- To respond to the demands from institutional investors and potential customers for more clarity on the culture of the Group
- To provide our stakeholders with a better understanding of how we work as a Group
- To promote and protect the external image, marketability and ethos of the Group
- To ensure longevity and sustainability of the Group
- To identify and recognise what is already great about the Company, capture it, ensure everyone knows about it and celebrate it
- To ensure that all employees understand their role, and how they contribute to the Group’s continued success
- To improve collaboration and promote a one Group approach; where we all feel part of the bigger picture
- To strengthen employee engagement and staff recruitment

“We are and always have been a people business and our restated Purpose, Vision and Values reflect and re-enforce this message.”

JOHN SUTCLIFFE
Chief Executive Officer

Investors in People

Another positive step to come out of the ‘One Henry Boot’ Project was the decision to apply for The Investors in People accreditation for the whole Group. Henry Boot Construction and Henry Boot PLC both had accreditation as individual companies. Henry Boot Construction continues to be accredited while we work towards

a Group-wide award. Given the timing of the renewal window for Henry Boot PLC, we decided not to pursue an individual renewal so that we could focus on the Group effort. In 2018, we intend to apply for Group accreditation and hope to be in a position to confirm we have achieved this in next year’s report.

What some of our Working Group Volunteers think:



“It’s a very supportive and cooperative place to work.”

HAMER BOOT
Regional Manager



“Henry Boot want to know our point of view.”

LYDIA MCGUINNESS
Trainee Technician



“The set of values now reflects the values that Henry Boot really adhere to.”

TIM BURN
Senior Project Manager



“We look out for each other. We are family.”

DAVID HODSON
Accounts Assistant

SEPTEMBER – DECEMBER 2017

Launch of ‘The Henry Boot Way’

JANUARY – JUNE 2018

Adoption of ‘The Henry Boot Way’

JULY 2018 – ONGOING

Embedding of ‘The Henry Boot Way’

Business Model — Our Operations

Our ability to deliver long-term value for stakeholders 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.

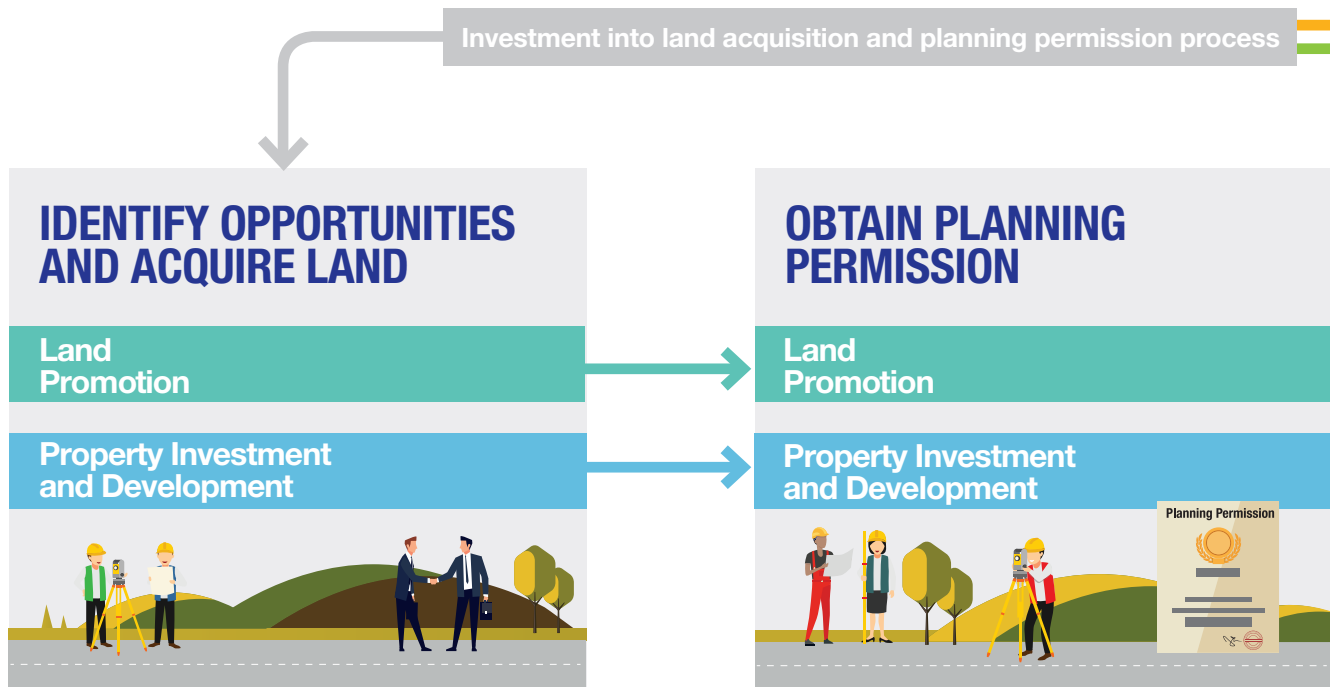
Our people are at the heart of all that we achieve; we develop skilled employees who deliver profitable schemes with confidence.

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

Land Promotion: Hallam Land Management

Property Investment and Development: Henry Boot Developments and Stonebridge Homes

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



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.

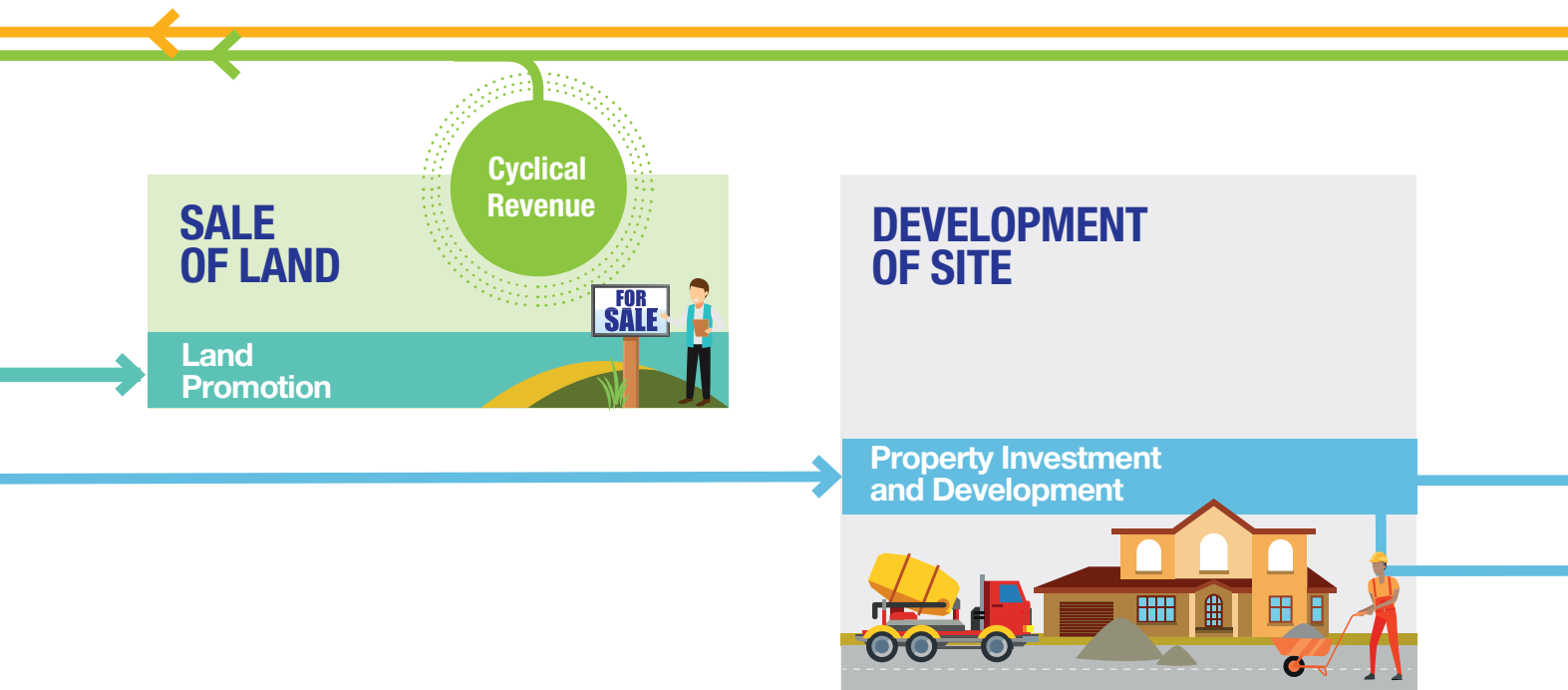
Hallam Land Management promotes land for residential, commercial and retail consent.

Henry Boot Developments promotes land for commercial development. **Stonebridge Homes** 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 stakeholder value.



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 Homes** 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.



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.



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.

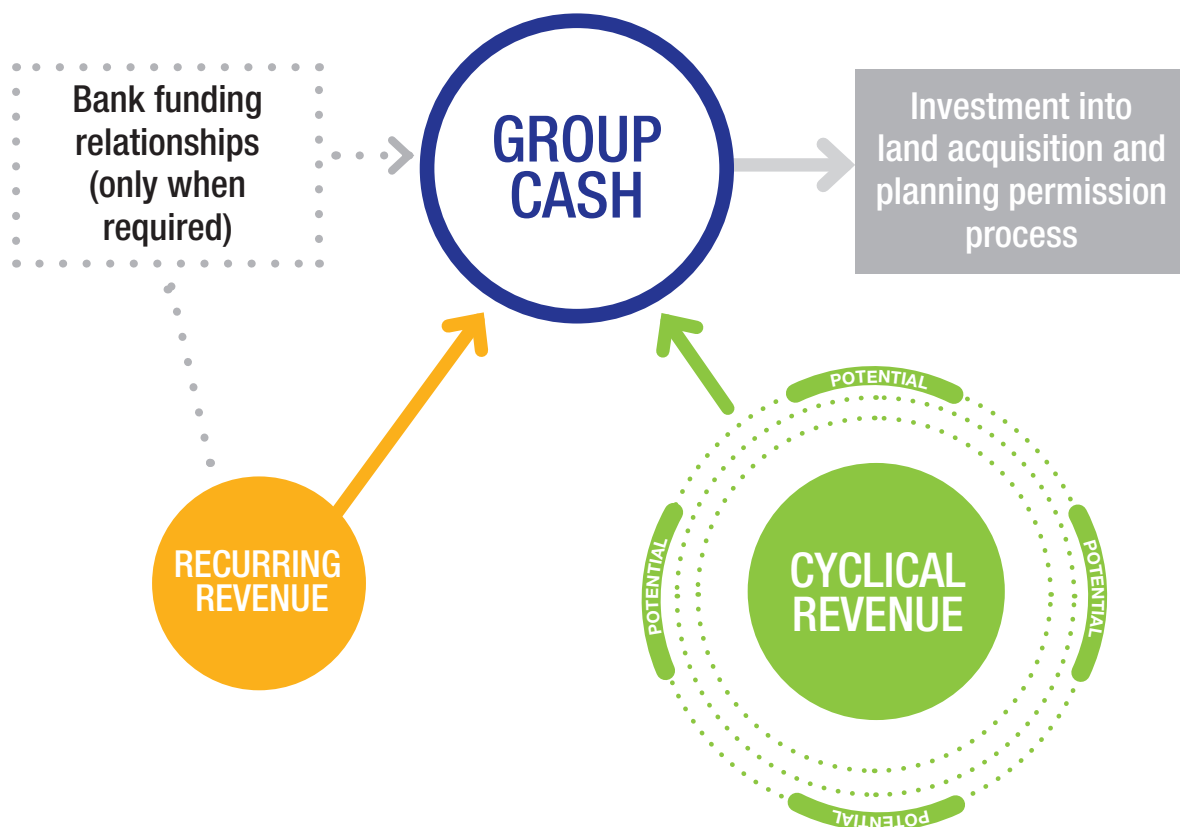
A number of the finished property developments are retained and managed by the **Property Investment and Development** segment. The property investment portfolio of **Henry Boot Developments** is worth over £120m and generates a sizeable amount of rental income each year.



View the video explaining our **Business Model** on our corporate website

Business Model

— Group Financial Strength



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 £120m 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.

Market Review

Our marketplace

“Henry Boot remains well positioned to deal with the challenges it faces due to its strong opportunity portfolio.”

JOHN SUTCLIFFE
Chief Executive Officer

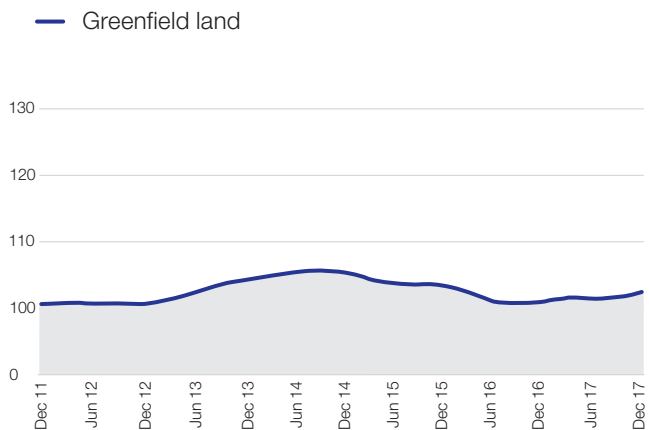
The UK real estate market has proved to be very resilient over a number of years and 2017 continued in that vein. Several macroeconomic and political events have brought uncertainty to the UK generally and therefore to the UK real estate marketplace, in which we operate, specifically. However, Henry Boot PLC remains well positioned to deal with these challenges due to its strong opportunity portfolio, committed experienced people, good customer relationships and financial strength.

Land Promotion

Housing market – strategic land and housebuilding

With land prices remaining consistent in recent years, there still exists a structural imbalance between the number of houses the Government aspires to produce on behalf of the UK population and the numbers being delivered by the UK housebuilding sector. The UK Government has brought forward many initiatives such as ‘Help to Buy’, support for social housing providers, the Starter Homes initiative and affordable housing requirements to help increase both the supply and demand for housing. However, planning consent for residential development and the subsequent negotiation with regard to the S106 costs associated with a consent add several years into the process of site delivery. The under-delivery of housing supply over many years means that demand for new housing, supported by the Government initiatives, remains strong. Therefore, in respect of our strategic land business, where we provide sites with planning permission to the major UK house builders, we expect these resilient trends to continue. While this remains the case, we have a large number of opportunities ready to benefit from these favourable market conditions.

Residential development land prices index



Source: Knight Frank Residential Development Land Index

Property Investment and Development

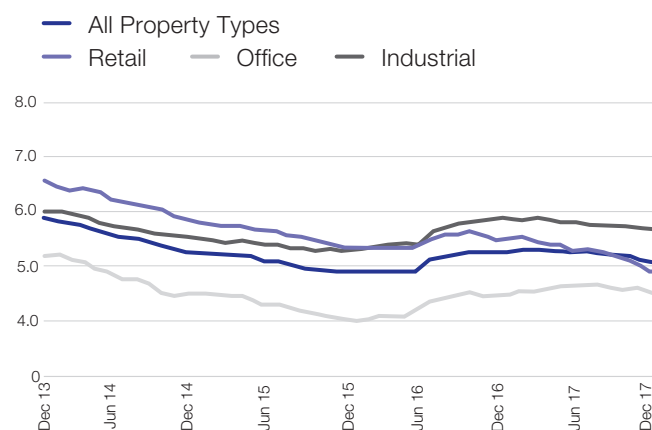
Commercial Investment and Development

Henry Boot Developments operates from regional offices throughout the UK which means that those development teams are close to the opportunities arising in their locality. We believe this allows us to maximise the number of schemes we win throughout the country as opposed to working from one central location. We deliver a broad range of schemes and are therefore not committed to one subsector of the market and we have achieved revenue of over £250m in 2017 compared to £50m in 2015.

During 2017, price inflation in construction markets across most of the UK moderated as demand and supply became more balanced. We continued to experience strong occupier demand in the industrial and logistics sectors which underpinned further investment yield compression in that sector. Elsewhere, occupier demand remained relatively stable although town and city centre retail and leisure markets weakened in the year, albeit edge and out of centre retail demand remained stable. The investment markets saw further demand for well-let property on long leases with index-linked rents with some investment yield compression evident towards the end of the year.

The continued strength of the industrial and logistics sector saw us increasing investment in existing and new business park developments throughout the UK. Furthermore, pricing stability within construction markets has enabled these projects to progress to the development phase more quickly than we had anticipated. Stability within the property investment sector and the further, selective compression of investment yields continued to support this strategy.

Net yields %



Source: IPD

Construction

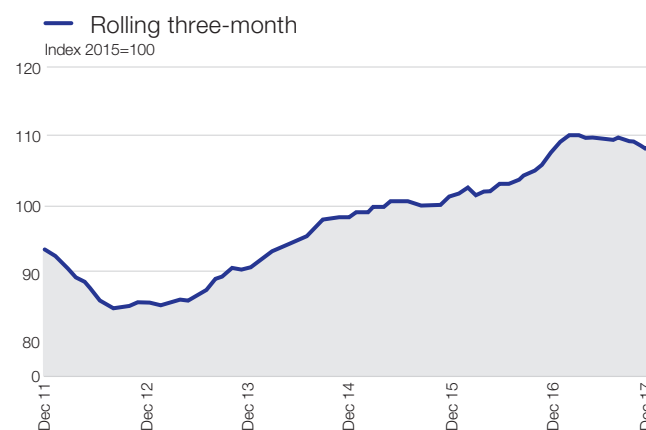
Construction and Plant Hire

Henry Boot Construction operates, mostly, across the Midlands and North of England servicing a wide range of public bodies and private clients. Banner Plant supplies a wide range of non-man operated plant to the construction subcontract supply base, once again across a wide range of construction markets within, primarily, the North and Midlands. In common with all parts of the country, spending by universities, schools, hospitals, prisons, roads and other local infrastructure projects has been maintained and we anticipate this spending will continue given the anticipated growth in the UK population into the future, regardless of changes to Government policy.

The recent turmoil within the construction industry has brought more scrutiny on the financial strength of the construction delivery partner chosen, particularly given the very low margins and risks associated with the delivery of construction projects. Therefore, our strong customer contacts, repeat business opportunities, ability to deliver work across a wide number of sectors and our financial strength means that we continue to win the work we want to win.

Overall, construction workloads are being affected by the vote to leave the EU as businesses become increasingly uncertain about their operating position in the coming years. Whilst this lack of clarity by Government continues, in the short term, private sector work may reduce. This is likely to be offset by centrally funded projects across a wide range of sectors and we remain confident that quality contractors with demonstrable financial strength will continue to win work.

Construction output & employment, seasonally adjusted, Great Britain



Source: Construction Output and Employment - Office for National Statistics

Our Strategy

Strategy for Land Promotion

To source and promote land through the complexities of the UK Planning system for the highest use value. Through land ownership, or via agency and option agreements, the business conveys land, which has gained planning permission, primarily to the UK's major house builders. The two key factors impacting this business segment are the demand for houses in the UK and the Planning system. To achieve its purpose the business must appreciate and consider how these factors affect their sites.



Read about the **Land Promotion Case Study** on page 24

Objectives

- To replenish the site portfolio and increase our proportion of directly owned land to balance the style of ownership.
- To dispose of an annually increasing number of residential plots whilst market conditions are supportive.
- To increase the scale and investment in land acres and plots over time.

Strategy for Property Investment and Development

To obtain, develop and invest in a diverse range of property sector opportunities, whilst flexibly adapting to customers' needs within the market. With regional offices throughout the UK, the business is very close to the local market when seeking out new opportunities. Our joint venture housebuilding company aims to continue to increase housing delivery and its landbank to fuel longer term output.



Read about the **Property Investment and Development Case Studies** on pages 25 and 26

Objectives

- To pre-let, pre-fund and pre-sell our development opportunities to mitigate risk.
- To actively seek out new opportunities for future development and grow that portfolio of opportunities.
- To monitor the markets in which we operate and quickly adapt to changing market conditions.

Strategy for Construction

To compete for and win construction contract work in our northern market and work closely with new and repeat customers to provide a quality service to both the public and private sectors. With very tight construction margins it is important to continue building our customer database and to secure repeat business opportunities. To provide a high quality service and seek out new depot locations to increase the network coverage of our plant hire business.



Read about the **Construction Case Study** on page 27

Objectives

- To constantly monitor the customers and markets in which we operate, to compete effectively and appropriately balance our workflows within these markets.
- To actively pursue contract values of between £5m-£25m to benefit from improving economies of scale.
- To continue to provide high quality service and to seek out new opportunities to expand locations within our plant hire operation.
- To continue to operate the A69 road PFI as efficiently as possible throughout the remaining eight years of the franchise.



Land Promotion Case Study

Great Wilsey Park, Haverhill



In 2012 Hallam Land became involved in Great Wilsey Park, a 415-acre site that had been identified for strategic growth within St Edmundsbury's Core Strategy. Before development proposals were considered, Local Plans such as Haverhill Vision 2031 were engaged with to ensure the area's vision and framework were taken into consideration. A vital element of this plan was the creation of a sustainable community which would still provide the area with the necessary local infrastructure benefits alongside the new homes to be built. The site contains:

- 2,500 homes
- Two primary schools
- Two local centres
- Doctor's surgery
- 12 acres allocated for expansion of the secondary school
- Care home
- 195 acres of open space

A new care home, approximately 195 acres of green infrastructure providing informal areas of open space, play areas, public rights of way, allotments, wetland areas and a country park were designed into the scheme for the enjoyment of both new and existing residents. These elements integrate with the proposed 2,500 new homes to create what will be a thriving new community on the edge of Haverhill. We are now in final discussions on the S106 agreement prior to permission being issued and the site is currently being marketed for sale.



Read about the **Land Promotion Segmental Review** on pages 30 and 31

Property Investment and Development Case Study

Thorne Park, Doncaster



Henry Boot Developments was selected by landowner Royal Bank of Scotland as its preferred development partner for a 23-acre former vehicle storage site located off Junction 6 of the M18 motorway, near Doncaster. The site had been vacant for several years and suffered from viability issues relating to high servicing costs. Our approach was to secure a significant high value 'enabling development' which would overcome these viability issues and enable the majority of the site to be redeveloped for industrial use. This strategy was supported by the Local Authority who had long sought the site's redevelopment for employment uses. Planning permission was secured quickly for a significant amount of retail floorspace which was immediately sold to a supermarket operator.

This enabled the full servicing of the site on a viable basis and led onto the speculative development of over 150,000 sq ft of industrial space in units ranging in size from 10,000 to 45,000 sq ft. All the space was leased or sold to industrial occupiers with the last two units totalling 48,000 sq ft sold in late 2017, marking the completion of this highly successful project which has created over 100 new jobs on the site and brought over £20m of new investment to the area.



Read about **Property Investment and Development Segmental Review** on pages 32 and 33

Property Investment and Development Case Study

Kampus, Manchester



Henry Boot Developments, in partnership with local developer Capital & Centric, was selected as preferred partner by Manchester Metropolitan University to acquire and redevelop their former 2.5-acre site located on Aytoun Street, close to Piccadilly Station in Manchester city centre. The site was considered particularly sensitive by both the University and City Council because of its size, prominence, location and the need to incorporate existing listed buildings on the site into any new redevelopment. We identified that the site had significant potential to create a new and innovative build-to-rent residential scheme of sufficient scale to create a new community, incorporating dedicated retail and leisure facilities offering unrivalled access to both the city centre and the city's main transport hubs including the new HS2 station close by.

We secured planning permission and a US-based funding partner, and construction work on the £230m project commenced mid-2017. This work includes the conversion of the historic Minto & Turner listed warehouse and the retention of the original 11-storey university campus tower and we anticipate the last of the 540 apartments will complete during 2020. The scheme has been designed to complement and support the continued regeneration of the wider area and includes two new public squares with complementary retail and leisure uses.



Read about **Property Investment and Development Segmental Review** on pages 32 and 33

Construction Case Study

Rudding Park Hotel, Harrogate



During spring 2017, Henry Boot Construction completed a £9m luxury state-of-the-art spa facility to recapture Harrogate's historic heritage, by using natural spring water from within the grounds of the hotel. The project included the construction of a multi-level extension to the Grade I listed Rudding Park Hotel, situated within the historic Humphry Repton landscape.

The new spa features a 17-metre swimming pool, an indoor and outdoor hydrotherapy pool, a thermal room and ten treatment rooms, plus a restaurant and shop. The rooftop area of the spa includes an indoor-outdoor infinity pool with an iconic glass wall allowing guests to enjoy the outstanding parkland views surrounding the hotel.

A feature roof garden forms an integral part of the scheme and preserves the integrity of the historic landscape.

The project was complex because of the hotel being a listed building, which meant close collaboration and coordination with key trades and partners. With a tight deadline, the project was delivered on time and to the exacting standard required.



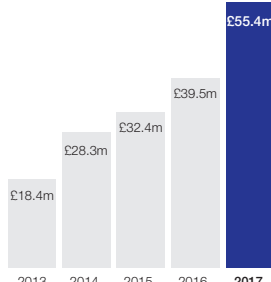
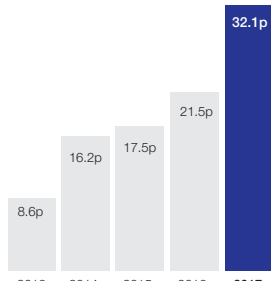
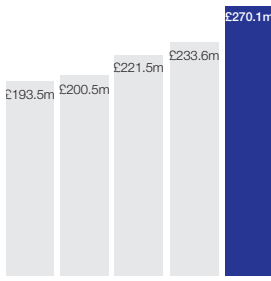
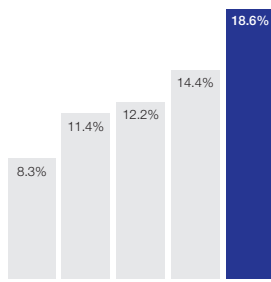
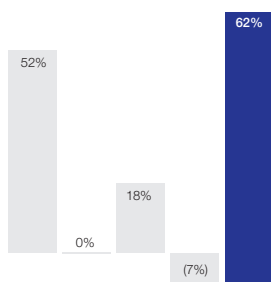
Read about **Construction Segmental Review** on pages 34 and 35

Key Performance Indicators

– Financial and Non-financial KPIs

In 2017 the Group reviewed its financial and non-financial KPIs. Whilst all targets from previous years still remain important, it was felt the KPIs listed in this year's report are more reflective indicators of the Group's most significant Key Performance Indicators.

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												
<p>Profit Before Tax</p> <p>Definition A profitability measure that looks at a company's revenue less all interest and operating expenses except for income tax.</p>	<p>A 40% increase as higher levels of property development generated additional profits.</p>	<p>Objective To increase profit levels over time.</p>  <table border="1"> <caption>Profit Before Tax (m)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>£18.4m</td> </tr> <tr> <td>2014</td> <td>£28.3m</td> </tr> <tr> <td>2015</td> <td>£32.4m</td> </tr> <tr> <td>2016</td> <td>£39.5m</td> </tr> <tr> <td>2017</td> <td>£55.4m</td> </tr> </tbody> </table>	Year	Value	2013	£18.4m	2014	£28.3m	2015	£32.4m	2016	£39.5m	2017	£55.4m
Year	Value													
2013	£18.4m													
2014	£28.3m													
2015	£32.4m													
2016	£39.5m													
2017	£55.4m													
<p>Earnings per Ordinary Share</p> <p>Definition The portion of a company profits allocated to each outstanding share of its common stock.</p>	<p>A 49% increase due to higher retained profits helped by additional returns from property development.</p>	<p>Objective To increase returns over time.</p>  <table border="1"> <caption>Earnings per Ordinary Share (p)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>8.6p</td> </tr> <tr> <td>2014</td> <td>16.2p</td> </tr> <tr> <td>2015</td> <td>17.5p</td> </tr> <tr> <td>2016</td> <td>21.5p</td> </tr> <tr> <td>2017</td> <td>32.1p</td> </tr> </tbody> </table>	Year	Value	2013	8.6p	2014	16.2p	2015	17.5p	2016	21.5p	2017	32.1p
Year	Value													
2013	8.6p													
2014	16.2p													
2015	17.5p													
2016	21.5p													
2017	32.1p													
<p>Net Assets</p> <p>Definition The value of a company's assets less its liabilities.</p>	<p>A 16% increase to net assets achieved by retained earnings from higher profits offset by dividends paid and an increase in the pension scheme deficit.</p>	<p>Objective To grow the asset base over time.</p>  <table border="1"> <caption>Net Assets (m)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>£193.5m</td> </tr> <tr> <td>2014</td> <td>£200.5m</td> </tr> <tr> <td>2015</td> <td>£221.5m</td> </tr> <tr> <td>2016</td> <td>£233.6m</td> </tr> <tr> <td>2017</td> <td>£270.1m</td> </tr> </tbody> </table>	Year	Value	2013	£193.5m	2014	£200.5m	2015	£221.5m	2016	£233.6m	2017	£270.1m
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<p>Return on Capital Employed</p> <p>Definition The ratio of earnings before interest and tax to capital employed (total assets less current liabilities).</p>	<p>We continue to achieve a healthy improvement in returns on utilised capital and will continue to monitor this area for improvement.</p>	<p>Objective To increase returns on capital employed over time.</p>  <table border="1"> <caption>Return on Capital Employed (%)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>8.3%</td> </tr> <tr> <td>2014</td> <td>11.4%</td> </tr> <tr> <td>2015</td> <td>12.2%</td> </tr> <tr> <td>2016</td> <td>14.4%</td> </tr> <tr> <td>2017</td> <td>18.6%</td> </tr> </tbody> </table>	Year	Value	2013	8.3%	2014	11.4%	2015	12.2%	2016	14.4%	2017	18.6%
Year	Value													
2013	8.3%													
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2017	18.6%													
<p>Shareholder Return</p> <p>Definition The share price appreciation combined with dividends paid shown as an annualised percentage.</p>	<p>Share price increased 58.3% over the year, which coupled with the increase in dividends, gave rise to a return over the last three years of 73.3%.</p>	<p>Objective To generate growing shareholder returns over time.</p>  <table border="1"> <caption>Shareholder Return (%)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>52%</td> </tr> <tr> <td>2014</td> <td>0%</td> </tr> <tr> <td>2015</td> <td>18%</td> </tr> <tr> <td>2016</td> <td>(7%)</td> </tr> <tr> <td>2017</td> <td>62%</td> </tr> </tbody> </table>	Year	Value	2013	52%	2014	0%	2015	18%	2016	(7%)	2017	62%
Year	Value													
2013	52%													
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2017	62%													

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																		
<p>Accident Frequency Rate (AFR) - including subcontractors</p> <p>Definition Accidents reportable to the Health & Safety Executive.</p>	<p>This year saw a decrease in RIDDOR reportable which was due to our high standards set across all our sites.</p>	<p>Objective To ensure a reducing number of reportable health and safety incidents.</p> <p>Target Zero incidents and to exceed industry standards.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>AFR</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>0.06</td> </tr> <tr> <td>2014</td> <td>0.12</td> </tr> <tr> <td>2015</td> <td>0.08</td> </tr> <tr> <td>2016</td> <td>0.17</td> </tr> <tr> <td>2017</td> <td>0.05</td> </tr> </tbody> </table>	Year	AFR	2013	0.06	2014	0.12	2015	0.08	2016	0.17	2017	0.05						
Year	AFR																			
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2017	0.05																			
<p>Personal Development (days)</p> <p>Definition Development days provided by the Group.</p>	<p>During 2017 there was a slight increase in the number of development days, reflective of new employees and training programmes available to the Group.</p>	<p>Objective To ensure that our employees are trained to the appropriate level and are given adequate opportunity to develop their careers.</p> <p>Target To exceed 2017 figure.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Days</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>1,306</td> </tr> <tr> <td>2014</td> <td>1,164</td> </tr> <tr> <td>2015</td> <td>1,203</td> </tr> <tr> <td>2016</td> <td>1,057</td> </tr> <tr> <td>2017</td> <td>1,130</td> </tr> </tbody> </table>	Year	Days	2013	1,306	2014	1,164	2015	1,203	2016	1,057	2017	1,130						
Year	Days																			
2013	1,306																			
2014	1,164																			
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<p>Employee Profile</p> <p>Definition The gender balance percentage between all our employees.</p> <p>Employee figures as at 31 December 2017</p>	<p>We have a gender split of 77% male to 23% female. This altered during 2017 due to the increase of employees. However, we continue to work closely with partners to encourage under-represented groups into the industry.</p>	<p>Objective To ensure a diverse spread of gender within all job roles in the Group.</p> <p>Target Both genders should be treated fairly and have access to equal opportunities.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Males</th> <th>Females</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>450</td> <td>103</td> </tr> <tr> <td>2014</td> <td>459</td> <td>111</td> </tr> <tr> <td>2015</td> <td>434</td> <td>106</td> </tr> <tr> <td>2016</td> <td>453</td> <td>111</td> </tr> <tr> <td>2017</td> <td>514</td> <td>119</td> </tr> </tbody> </table>	Year	Males	Females	2013	450	103	2014	459	111	2015	434	106	2016	453	111	2017	514	119
Year	Males	Females																		
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<p>Considerate Constructors Scheme</p> <p>Definition Promote and achieve best practice under the Code of Considerate Practice.</p>	<p>While there was a slight decrease in our score from 2017, we are still significantly higher than the industry average.</p>	<p>Objective To be classified as a 'good neighbour' when scored against the Considerate Constructors Scheme score of 50.</p> <p>Target Top score of 50.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>36.1</td> </tr> <tr> <td>2014</td> <td>37.1</td> </tr> <tr> <td>2015</td> <td>37.4</td> </tr> <tr> <td>2016</td> <td>38.3</td> </tr> <tr> <td>2017</td> <td>38.2</td> </tr> </tbody> </table>	Year	Score	2013	36.1	2014	37.1	2015	37.4	2016	38.3	2017	38.2						
Year	Score																			
2013	36.1																			
2014	37.1																			
2015	37.4																			
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2017	38.2																			
<p>Recycling – Diverted from Landfill (%)</p> <p>Definition To minimise the environmental impact from our business operations.</p>	<p>We have continued to achieve a minimum recycling rate of 95%.</p>	<p>Objective To reduce the amount of waste going to landfill by recycling, reusing or upcycling.</p> <p>Target To achieve a minimum recycling rate of 95%.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>94</td> </tr> <tr> <td>2014</td> <td>94</td> </tr> <tr> <td>2015</td> <td>95</td> </tr> <tr> <td>2016</td> <td>95</td> </tr> <tr> <td>2017</td> <td>95</td> </tr> </tbody> </table>	Year	Percentage	2013	94	2014	94	2015	95	2016	95	2017	95						
Year	Percentage																			
2013	94																			
2014	94																			
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2017	95																			

Segmental Review

Land Promotion



“The major UK house builders have reported that they are trading well and we are in advanced discussions with them in relation to a range of our projects.”

NICK DUCKWORTH
Hallam Land Management Limited

Progress in 2017

Hallam Land Management, our strategic land promotion business, had a strong 2017 as, in general, the UK house builders put the EU referendum and the General Election behind them. Whilst these events slowed transactions for eight weeks or so, they did not dent builders' appetite for land in the right locations.

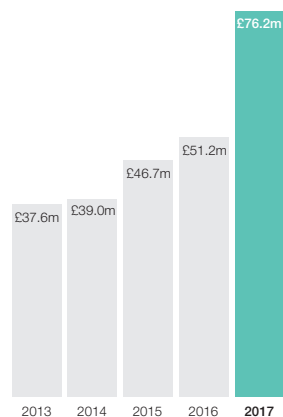
During the year, Hallam Land secured a £23.1m profit (2016: £17.7m) from selling 15 residential sites comprising 2,169 plots and, at the same time, successfully secured 14 new planning consents (or consent subject to Section 106 agreement) and increased its consented portfolio by 13% to 18,529 plots (December 2016: 16,417). We also entered 2018 with 780 plots exchanged for sale later this year. Hallam Land also sold a three-acre commercial site at Bridgwater to its sister company, Henry Boot Developments.

New consents obtained during 2017 included sites at Swindon (1,000 plots), Bridport (760 plots), Moulton (125 plots), Warton (115 plots), Sapcote (125 plots), Buckingham (400 plots), Haverhill (1,250 plots) and Milton Keynes (524 plots). With regard to land interests, at the year end Hallam Land benefited from 2,884 acres with planning consent (or consent subject to signing a Section 106 agreement) (2016: 2,405 acres) and a further 937 acres (2016: 1,078 acres) being allocated in local plans for residential development. In total, at the year end, the Company held 13,273 acres (2016: 11,888 acres) as freehold or under Option/Promotion Agreement.

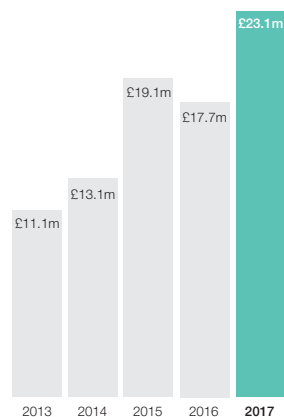
In terms of particularly significant projects, during the year, Hallam Land sold the final tranches of our residential land holdings at Bedford and Marston Moretaine, and pleasingly these have been replaced with other substantial projects coming forward, including Didcot (2,170 plots), Market Harborough (462 plots) and Haverhill (1,250 plots).

Contracted only in 2013, our 51% stake in Valley Park, Didcot, has been allocated, planning consent has been obtained and we are now negotiating a sale with a preferred bidder. Similarly, at Haverhill, south east of Cambridge, our 50% stake in the 2,500-plot urban extension to the north of the town is being marketed for sale, and has generated significant interest. At Market Harborough, where we own the freehold of 462 plots with outline consent, the site will be marketed for sale once we have concluded a commercial negotiation with a previous owner. These are just three of a range of larger projects that we control and whilst securing outline planning consent is task enough, it is invariably insufficient to ensure a market sale. To secure a disposal, utility and service provision needs to be guaranteed, infrastructure contracts procured, Reserved Matters planning consent secured and planning conditions discharged. Satisfying these and other buyer requirements takes time and contributes to the Government's concerns about 'land banking'. There are a variety of stakeholders involved in the disposal of strategic urban extension sites to build new communities and satisfying all their requirements takes significant time, effort and diligence.

Total revenue
£76.2m

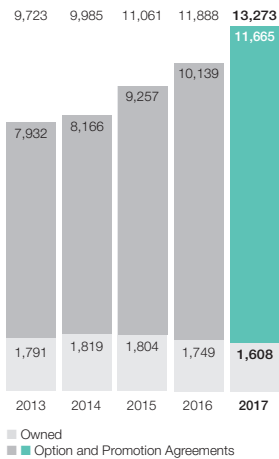


Profit before tax
£23.1m



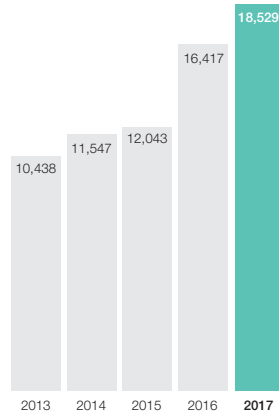
Land bank (acres)

13,273



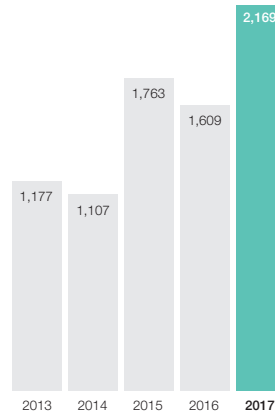
Plots with planning permission

18,529



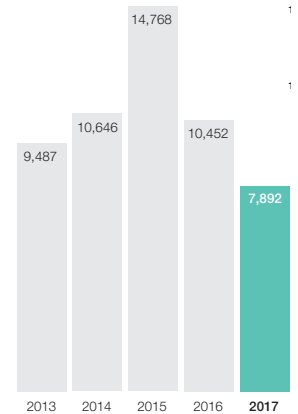
No. of plots sold

2,169



Plots in planning process

7,892



As to our two long-standing projects: at Cranbrook (the 3,500-unit new community at Exeter) we have negotiated a disposal of 180 plots which exchanged early in 2018; and at Kingsdown, Bridgwater, we completed on a 130-plot sale, exchanged on a further 72 plots and sold three acres of industrial land to Henry Boot Developments. Both projects continue to deliver well, in line with our expectations.

2018 has started positively with 780 plots exchanged for sale. The major UK house builders have reported that they are trading well and we are in advanced discussions with them in relation to a range of our projects. At this stage, we anticipate that 2018 will be another year of steady progress.



Pictured top right: A new local public house at Cranbrook, a part of the development at Exeter.

Pictured bottom right: Milton Keynes, an allocation within the Vale of Aylesbury Local Plan has been secured for 1,855 new homes, our share being 524 properties.

Segmental Review

Property Investment and Development



“Activity levels and turnover exceeded the previous year, which itself was a record for the Company.”

DAVID ANDERSON
Henry Boot Developments Limited

“Stonebridge Homes had another year of growing momentum, achieving 79 house sales in total.”

DARREN STUBBS
Stonebridge Homes Limited

Pictured below: The iconic clock tower at the former Terry's Chocolate Factory, York.



Progress in 2017

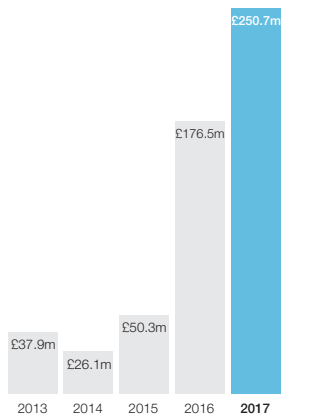
Henry Boot Developments, our commercial development business, had one of its busiest years in 2017, continuing to progress a broad range of commercial and an increasing number of residential projects. Activity levels and turnover exceeded the previous year, which itself was a record for the Company. Our major, long-term projects continued to make satisfactory progress as expected. The largest of these is the 800,000 sq ft forward-funded development of the new £333m Aberdeen Exhibition and Conference Centre, which remains on track to be completed in mid-2019. In Manchester city centre, the development of the initial phase of the £220m forward-funded, build-to-rent residential project, providing 533 apartments, commenced mid-year 2017. Completion of the final phase is scheduled for 2020.

Developments within the industrial and business park sector significantly increased during the year with the completion of 575,000 sq ft of logistics space at Markham Vale, off Junction 29A of the M1. A further 100,000 sq ft of industrial space on the park is now the subject of exchanged contracts. Elsewhere, the first phase of infrastructure was completed at the Airport Business Park in Southend, with the first development expected to commence in late 2018. We also expect to see the first phase of development on Butterfields Business Park in Luton in 2018 after securing a full employment use planning allocation in 2017. Completion of the mixed-use, retail and industrial scheme off Junction 6 of the M18 motorway (near Doncaster) was achieved late in 2017, with disposal of the last two, speculatively-built industrial units totalling 48,000 sq ft, together with a small development plot, all at values ahead of original forecasts. Further business park locations have now been placed under contract on the M5 Junction in Taunton and at the former Horizons tobacco factory in Nottingham. Notably, during the latter part of the year, we were also selected as preferred development partner on four other business parks at locations across the UK, which we will be progressing through 2018 and beyond.

The Company maintains a broad sector spread of development projects and was active on retail, leisure and residential projects in 2017. In York, the award-winning conversion and redevelopment of the former Terry's Chocolate Factory continued apace. All the remaining apartments were sold in the year, completing the 163-unit factory conversion well ahead of the original programme. Planning permission is expected shortly for the 22-apartment conversion of the adjoining iconic clock tower which is planned to be completed in 2018. Furthermore, on the balance of the site, pre-application planning negotiations have commenced for an apartment scheme. In Manchester, detailed planning permission was secured for a 140-bed hotel in the city centre on a site held under option. This site was subsequently sold, well ahead of schedule. We also completed the purchase of Equitable House, located on one of the city's prime retail areas, St Ann's Square, and agreements have been reached to re-gear the existing ground floor retail leases. In parallel, we are progressing the conversion of the upper floors to luxury apartments and this development is expected to commence in 2018 for completion in 2020.

Total revenue

£250.7m



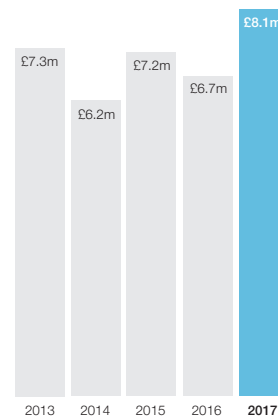
Profit before tax

£26.2m



Rental income

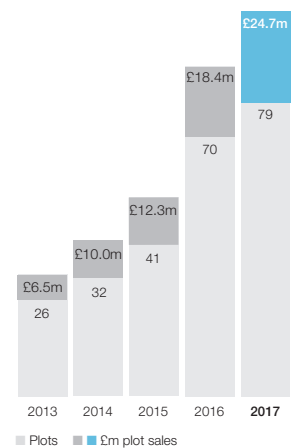
£8.1m



No. of plots sold

(Stonebridge Homes Limited)

79



The retail warehouse market remained relatively stable over the year, and the 43,000 sq ft project in Livingston town centre, pre-let to Dunelm and B&M Retail, was successfully completed and sold in the year. Elsewhere, the development of a small pre-let neighbourhood centre in Monmouth, Wales, was completed and sold. In Daventry, detailed planning permission was granted for an 83,000 sq ft edge-of-centre retail scheme undertaken in partnership with the District Council. This is now the subject of pre-let negotiations with a range of retailers and is targeted to commence in the second half of 2018. Further investment within Henry Boot Developments' existing investment portfolio included the extension and comprehensive refitting of office space in Uxbridge and the development of a pre-let Travelodge hotel in our mixed-use investment in Bromley, Kent.

House Building

Our joint venture house builder, Stonebridge Homes, had another year of growing momentum, achieving 79 house sales in total with almost half that number arising in the last two months of the year as, in particular, residential units in the former Leeds Girls' High School became available to sell.

We also carried over 20 reservations into 2018 and have added to this in the current year, which is very pleasing. Although early in the year, we anticipate house sales will be in the range of 110-130 units for 2018, at an average selling price of circa £250,000, based on current levels of activity.

Our land bank of secured planning permissions is now over 250 units and the longer term secured sites that are subject to planning decisions encompass some 750 additional units. Successfully achieving planning permission on these sites will allow annual activity levels to grow towards 200 units per annum over the next three years.

Pictured top right: New town centre retail and leisure park, Livingston.

Pictured bottom right: Fox Valley, Stockbridge, a site which will consist of over 100 newly built houses.



Segmental Review Construction



“Repeat business continued to underpin our success, and is an excellent indicator of how we are performing.”

SIMON CARR
Henry Boot Construction Limited

“The financial results and capital investment within our existing profit centres were in line with our forecasts, whilst cash generated was ahead of target.”

GILES BOOT
Banner Plant Limited

“The contract continued to perform to our financial expectations.”

TREVOR WALKER
Road Link (A69) Limited

Progress in 2017

2017 was a busy and successful year for Henry Boot Construction, which specialises in serving both public and private clients in all construction sectors, including civil engineering, with the business exceeding our targeted profit levels. Repeat business continued to underpin our success, and is an excellent indicator of how we are performing, particularly by achieving and integrating sustainable value into projects. This, along with the high-quality people within our business, has resulted in existing clients returning to us with prestigious follow-on projects and remains crucial to achieving success.

Henry Boot Construction has continued to deliver the first phase of the £35m Better Barnsley town centre regeneration scheme, now known as The Glass Works. Aligned with this project is the Barnsley skills village, with the Government taking interest in the excellent track record of this initiative, providing skills to new trainees from all backgrounds entering employment which, in turn, helps reduce the skills shortage within the construction sector.

After a lengthy period of bidding, Henry Boot Construction was selected for the Education and Skills Funding Agency (‘ESFA’) regional framework. This £8bn Government-funded programme will provide improved education provision through refurbishment and replacement of schools. We expect this to be a prominent part of our business moving forward. Other notable projects in 2017 were the prestigious spa facility at Rudding Park Hotel, Harrogate, and the refurbishment of the Grade II listed St George’s Hall in Bradford.

In the civil engineering sector, Henry Boot Construction has recently completed the regeneration and infrastructure work on the Olympic Legacy Park in Don Valley, Sheffield, and we are working on the Advanced Manufacturing Park for the University of Sheffield. We continue as a major supply chain partner on the 25-year, Amey PFI Sheffield Streets Ahead scheme and also continue to deliver work through the YORcivils framework, having been successful in securing a place on the new YORcivils2 framework, under which we are carrying out structural works to six tower blocks for Leeds City Council, together with the remodelling of Iverson Primary School in Horsforth.

In the health and social care sectors, we completed a 60-bed extra care unit for Newark and Sherwood Homes, enhancing our offering in that market. We are also a delivery partner on the Sheffield Teaching Hospitals NHS Trust framework.

Within the higher education sector, we were awarded the Aerothermal Research Building at Loughborough University, the Sports Sciences Building for the University of Hull, Concourse Public Realm works for the University of Sheffield and the SEE (School of Earth and Environment) expansion at the University of Leeds. We also continue to progress works to deliver a Public Realm scheme for Lancaster University.

We have several schemes being delivered through the Ministry of Justice refurbishment framework, where we have three projects currently on site and another two that begin in the first quarter of 2018.

Profit before tax

£10.0m



External revenue

£81.9m



Henry Boot Construction started 2018 with the healthiest order book seen in recent years; although we remain cautious, particularly in the medium to long term, regarding the possible reduction in construction activity due to market uncertainty associated with exiting the EU, price pressures on imported materials associated with exchange rate volatility and other labour and supply chain price pressures.

Health and Safety

Health, Safety and Environmental management remains of paramount importance, and we continue to be committed to providing a safe and healthy working environment and actively finding ways to eliminate risk. We have continued to maintain approval of our Company Management System to meet the requirements of OHSAS 18001, ISO 14001 and ISO 9001.

We are delighted that, for the sixth consecutive year, our construction-related Accident Frequency Rate (AFR) for our directly employed staff and operatives is zero.

This strong health and safety management culture has resulted in us securing the CIOB Health and Safety Award and Contractor of the Year Award, in addition to receiving a further RoSPA Gold Medal Award to recognise eight continuous years of Gold Award achievements, coupled with a project-specific RoSPA Gold Award for the University of Derby St Helena project.

Plant Hire

In 2017, Banner Plant had a year dominated by the purchase and integration of Premier Plant Tool Hire & Sales Limited. The acquisition in the early part of the year added a plant and a tool hire depot, both in the Leicester area. Both locations made a positive contribution during the remainder of 2017, in line with our expectations. The financial results and capital investment within our existing profit centres were in line with our forecasts, whilst cash generated was ahead of target. Particularly positive performances came from our powered access and accommodation depots, closely followed by plant depots at Dronfield and Ossett. Overall, this resulted in a record trading performance for this customer-focused operation.

Road Link

Our PFI contract Road Link (A69), which maintains the A69 trunk road between Carlisle and Newcastle, has completed another strong year. 2017 saw an increase in traffic volume and with no major disruptions or impact from adverse weather conditions, the contract continued to perform to our financial expectations. The contract remains on course to operate to plan throughout the remaining eight years of the concession.

Pictured: 60-unit extra care scheme for Newark & Sherwood Homes.

Financial Review



“Our continued long-term strategic approach to land promotion and property development has generated increasing pipelines to deliver results for the years ahead.”

DARREN LITTLEWOOD
Group Finance Director

Key highlights of our financial performance in 2017

- Profit before tax increased by 40% to £55.4m
- Basic earnings per share increased by 49% to 32.1p
- Dividends per ordinary share for the year increased by 14% to a record 8.00p
- Return on capital employed increased by 29% to 18.6%

The delivery of our residential conversion scheme at the former Terry’s Chocolate Factory and the progress made on the new Aberdeen Exhibition and Conference Centre delivered results in advance of management’s original expectations. These, coupled with a generally strong underlying performance in our operations, resulted in these impressive Group results. A commendable achievement by our talented people and a credit to all those businesses with whom we engage to achieve our goals.

Our continued long-term strategic approach to land promotion and property development has generated increasing pipelines to deliver results for the years ahead. We remain cautious of where negotiations between the UK and the EU may end and believe continuing uncertainty within our markets could lead to commencement delays in projects and developments. However, as we enter 2018 we have a significant amount of property development work currently in delivery, a number of land sales already exchanged awaiting completion, residential properties in stock, carried over the year end, for which demand remains high and we have a strong order book within our construction business.

Consolidated Statement of Comprehensive Income

Revenue increased 33% to £408.5m (2016: £306.8m) resulting from increased activity within all segments of the Group. This was driven most notably from the continued delivery of the new conference and exhibition centre for Aberdeen City Council, sales of residential apartments at the former Terry’s Chocolate Factory in

York and increased residential land sales within the land promotion segment. Gross profit increased 39% to £86.7m (2016: £62.3m) and reflects a gross profit margin of 21% (2016: 20%), broadly in line with that achieved in the previous year. Administrative expenses increased by £4.7m, resulting from the continued expansion of Stonebridge Homes, the acquisition of two plant depots in Leicester, the opening of a new regional office in Birmingham, and employee costs which rose as we recruited additional staff across the Group to support the increased activity achieved in recent years, and we made provision for higher levels of profit share and bonuses, given the Group’s performance over the year, and saw a modest level of wage price inflation linked to employee retention.

Pension expenses increased by £0.6m (2016: £0.1m) as employee numbers increased and auto-enrolment contributions increased in accordance with statutory requirements.

Property revaluation losses of £3.6m (2016: £1.8m) were the net effect of uplifts of £5.2m in the fair value of certain existing completed investment properties, largely in the industrial and mixed-use categories, offset by the recognition of valuation deficits of £8.8m on a number of other properties, most notably retail assets in secondary locations.

Overall, operating profits increased by 42% to £56.2m (2016: £39.5m) and, after adjusting for net finance costs and our share of profits from joint ventures and associates, we delivered a profit before tax of £55.4m (2016: £39.5m), an increase of 40%.

The segmental result analysis shows that property investment and development produced a significantly improved operating profit of £30.4m (2016: £15.1m) arising from a full year’s activity on the Aberdeen Exhibition and Conference Centre, final residential sales from the York Chocolate Factory conversion and continuing contributions from our Markham Vale industrial development. Land promotion operating profit also showed a strong performance,

increasing to £23.2m (2016: £18.6m) as we disposed of 2,169 residential plots during the year (2016: 1,609). Construction segment operating profits decreased slightly to £9.6m (2016: £10.3m) after improved results from Plant Hire, following the acquisition of the Leicester depots, and Road Link were offset by lower Construction returns which were marginally impacted by the reduced turnover on secured schemes which did not come forward as quickly as expected. The movements within our mix of business streams demonstrates the nature of deal-driven property and land promotion businesses, dependent upon demand from the major UK house builders but combined with the relatively stable returns from our Construction segment. This continues to demonstrate the benefits of our broadly based operating model, working together to the benefit of our Group. Whilst we have a greater pipeline of property development and a larger number of consented residential plots than ever before, 2017 saw returns achieved which we had expected to deliver through 2018 and into 2019, and further evidences the deal-driven nature of our land promotion and property development businesses giving rise to financial results which can vary significantly from year to year.

Tax

The tax charge for the year was £9.8m (effective rate of tax: 18%) (2016: £8.9m and effective rate: 23%), and arises from the net investment property revaluation deficit, which is not tax deductible until realised, offset by other permanent differences. We currently have a £3.2m unrecognised deferred tax asset (2016: £2.7m) which can be utilised to offset future capital gains if they arise. Current taxation on profit for the year was £9.7m (2016: £8.9m), with the 2017 charge being lower than the standard rate of corporation tax due to permanent tax differences. Deferred tax was £0.1m (2016: £0.04m), due to the elimination of any property revaluation deferred tax asset and no deferred tax asset arising on the increased pension scheme deficit as contributions have exceeded cumulative charges to the income statement.

Earnings per share and dividends

Basic earnings per share increased by 49% to 32.1p (2016: 21.5p). Total dividends payable for the year increased by 14% to 8.00p (2016: 7.00p), with the proposed final dividend increasing by 16% to 5.20p (2016: 4.50p), payable on 30 May 2018 to shareholders on the register as at 27 April 2018. The ex-dividend date is 26 April 2018.

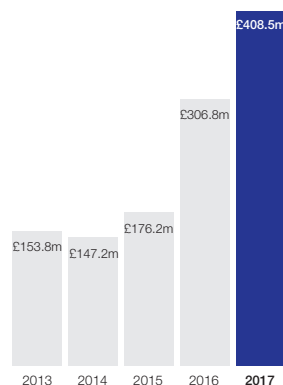
Return on capital employed ('ROCE')

Increased pre-tax profits in the year helped ROCE⁽¹⁾ improve to 18.6% in 2017 (2016: 14.4%). This improvement was aided considerably by the impressive performance within property development mentioned above. Whilst we continue to review our strategic target rate of return, given that we are currently able to forward fund and sell property development, we believe that a target return of 12%-15% is appropriate to our current operating model. We will continue to 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.

Revenue

£408.5m



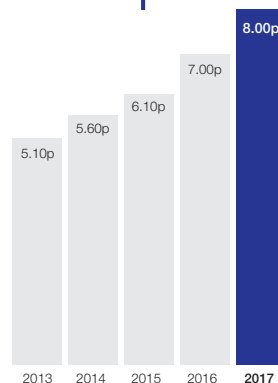
Profit before tax

£55.4m



Dividends per ordinary share

8.00p



Financial Review continued

Finance and gearing

Net finance costs were unchanged at £1.5m (2016: £1.5m). We saw a reduction in our net debt levels towards the end of 2017 as we collected a number of deferred land sale receipts and concluded a number of property disposals. Average borrowing rates were lower than the previous year although we expect interest costs to rise through 2018, as we increase borrowings to support higher levels of development activity. It is also possible that we will see rises in interest rates during 2018, although this will not result in a material change to our 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 38 times (2016: 28 times). No interest incurred in either year has been capitalised into the cost of assets.

Our completed investment property portfolio has increased to £127m (2016: £101m) against which we secure bank funding to allow us to undertake property development and land promotion, neither of which are readily funded using bank debt. Our investment property assets continue to provide the key covenant support for our banking facilities. Our facilities were increased to £72m in August 2017 to support the increased property development work, taking the renewal date to February 2020. In addition, we have a £5m revolving loan facility within Stonebridge Homes, our joint venture house builder. This loan is secured against work in progress.

2017 year-end net debt fell by £3.9m to £29.0m (2016: £32.9m) resulting in gearing on net assets of £270.1m falling to a conservative 11% (2016: net assets £233.6m; gearing 14%). Total year-end net debt includes £6.1m (2016: £7.6m) of Homes and Communities Agency ('HCA') funding which is repayable from the future sale of residential units. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year we operated comfortably within the facility covenants and continue to do so.

Statement of cash flows

During 2017, we increased operating cash flows before movements in working capital by £21.5m to £62.1m (2016: £40.6m) and, after a net investment in working capital of £15.8m (2016: £12.0m), cash generated from operations was £46.3m (2016: £28.5m). Our investment in working capital arises from the increase in levels of property development activity and continued investment in our land portfolio. Cash outflows from investing activities of £19.7m (2016: outflow of £2.4m) arising from disposals of £11.1m (2016: £9.9m) of investment property and property, plant and equipment sales, offset by new investment of £31.4m (2016: £13.4m) in new property development, plant purchases and the acquisition of Premier Plant Tool Hire & Sales Limited, adding two new depots to our plant hire business. Dividends paid, including those to non-controlling interests, totalled £12.0m (2016: £10.6m), with dividends paid to equity shareholders increasing by 16%.

Statement of financial position

Investment properties and assets classified as held for sale were valued at £134.8m (2016: £124.7m), increasing after the acquisition of a retail investment at St Anne's Square in Manchester and a distribution unit investment let to Imperial Tobacco in Nottingham, both acquired with longer term development opportunities. The value of investment property under construction within investment properties was £6.2m (2016: £22.7m) as we develop these assets into investment properties and either keep or sell the completed product.

Intangible assets reflect the Group's investment in Road Link (A69) of £4.5m (2016: £4.9m) and goodwill of £0.9m (2016: £nil), on the acquisition in the year of two plant depots in Leicester. The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to Highways England at the end of the concession period.

Property, plant and equipment comprises Group occupied buildings valued at £8.1m (2016: £6.5m), increasing on the acquisition of office space in Leeds, from which our housebuilding operation is being managed, and plant, equipment and vehicles with a net book value of £18.4m (2016: £15.4m). This increase arose largely from the acquisition of the Leicester plant depots but also from continued investment in new plant and plant delivery vehicles.

Non-current trade and other receivables have reduced to £2.9m (2016: £5.6m) due to a net decrease in long-term house builder land sale payment plans. We anticipate that the level of deferred payment receivables will start to increase as we market and dispose of some of our larger strategic land development schemes over the coming years.

Investments in joint ventures and associates increased to £5.9m (2016: £5.1m) as we continued to invest in property development projects with other parties where we feel there is a mutual benefit. We anticipate that these opportunities will increase as we see a number of interested parties looking to harness our expertise in bringing schemes forward.

The non-current deferred tax asset reduced because of the lower IAS 19 pension deficit. In total, non-current assets increased to £178.0m (2016: £166.5m).

Within current assets, inventories were £144.6m (2016: £137.9m) and saw a reduction in the land portfolio to £101.7m (2016: £107.9m) as we sold, in part, our more capital-intensive owned land whilst investing further in land under option or agency agreements. Property development work in progress increased to £42.9m (2016: £30.0m) as we grow our house builder operation, and increased work in progress on active property development schemes. Trade and other receivables increased to £93.2m (2016: £66.9m) resulting from land sales made on short-term payment deferrals and an increase in construction contract receivables. Cash and cash equivalents increased to £10.3m (2016: £7.4m) and was a result of cash received in December not offset against short-term borrowing at that time. In total, current assets increased to £250.1m (2016: £213.3m).

Current liabilities increased to £125.2m (2016: £105.9m) as trade and other payables increased to £79.4m (2016: £61.1m), resulting from increased property development activity, accounted for as construction contracts. The portion of debt classed as current increased to £34.3m (2016: £33.3m) and provisions decreased to £5.6m (2016: £6.7m) as we continue to meet our infrastructure planning obligations on two land development schemes.

Net current assets increased to £124.9m (2016: £107.4m). This increase is predominantly due to the increase in debtors, offset in part by the increase in creditors, resulting from higher levels of property development activity and house builder deferred income on land disposals.

Non-current liabilities decreased to £32.8m (2016: £40.4m) after trade and other payables decreased to £2.7m (2016: £4.6m) and borrowings decreased to £4.9m (2016: £6.9m), both reductions being a transition to current liabilities and IAS 19 pension liabilities decreased to £22.8m (2016: £26.4m).

Overall, net assets increased by 16% to £270.1m (2016: £233.6m) largely from the increase in retained profits. Net asset value per share increased 15% to 203p (2016: 177p) as we increase the scale of our operations via retained earnings.

Pension scheme

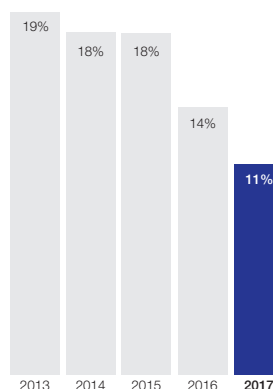
The IAS 19 deficit at 31 December 2017 was £22.8m compared with £26.4m at 31 December 2016 and was again adversely impacted by a further fall in the discount rate applied to future liabilities to 2.5% (2016: 2.8%). Despite this, the Company's contributions and an excellent performance from the pension scheme's assets saw the net deficit reduced by £3.6m (2016: increase £6.8m). As we have noted in previous years, the application of a 3.8% discount rate would result in a negligible deficit and the 2017 scheme asset return was comfortably ahead.

The pension scheme's assets continue to be invested globally, with high quality asset managers, in a broad range of assets. The pension scheme Trustee 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 Trustee considers appropriate, in conjunction with investment advice from KPMG.

DARREN LITTLEWOOD
Group Finance Director
20 April 2018

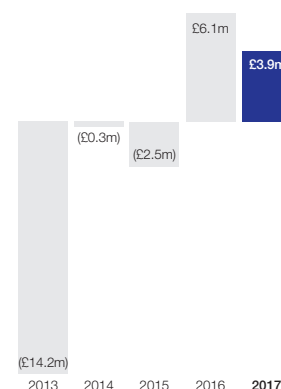
Gearing Levels

11%



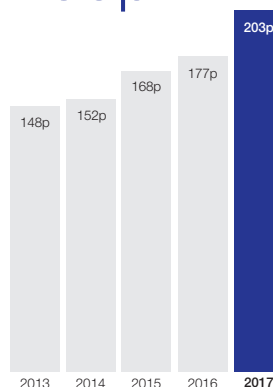
Cash Generation

£3.9m



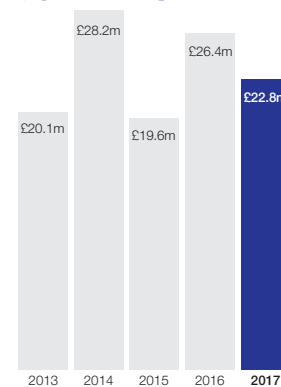
NAV per Share

203p



Pension Scheme Deficit

£22.8m



Risks and Uncertainties

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 stakeholders to appreciate what the business considers are the main operational risks, they are listed below.

 Read about the **Risk management framework** on page 68

Risk and description	Mitigation	Change during the year
Health & Safety Inherent risk within all of our businesses but most notably within construction activity	<ul style="list-style-type: none"> – Priority consideration of all Group and subsidiary board meetings – Robust training, policies, procedures and monitoring – Construction operation is OHSAS 18001 approved Health & Safety management system – Internal independent Health & Safety department conducts regular random inspections – Routine Director, Senior Manager or independent health and safety inspections – Regular externally operated mock incidents 	↔
Environmental The Group is inextricably linked to the property sector and environmental considerations are paramount to our success. The legal, financial and reputational damage which can occur from not being compliant all carry significant risk to the Group	<ul style="list-style-type: none"> – Our interaction with the environment and the agencies that have an overarching responsibility has to be positive at all times in order to meet our obligations – 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 Impact Assessments are carried out for all construction activities. These detail the action required to eliminate or reduce environmental impacts 	↔
Construction Increased cost and lower availability of skilled labour, subcontractors and building materials leading to reduced activity	<ul style="list-style-type: none"> – ISO 9001, ISO 14001 and OHSAS 18001 approved Integrated Management System which details our robust Risk Management processes – Quality training given to develop 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 	↑

Key: ↑ Rise ↓ Fall ↔ Remain

Risk and description	Mitigation	Change during the year
Development Not developing marketable assets for both tenants and the investment market on time and cost effectively	<ul style="list-style-type: none"> – 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 and over £1bn pipeline of future opportunities 	↓
Development Construction and tenant risk which is not matched by commensurate returns on development projects	<ul style="list-style-type: none"> – 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 portfolio and income stream	<ul style="list-style-type: none"> – Monthly operational meetings detail land owned or under control, new opportunities and status of planning – Acquisitions are subject to a formal appraisal process which must exceed the Group-defined rate of return and is subject to approval by the Group's Executive Directors – Land bank of over 13,000 acres with aspiration to grow further – Finance available to support speculative land purchases – Well respected name within the industry that demonstrates success 	↔
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	<ul style="list-style-type: none"> – 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 cyclicalities in our long-term plans and operate with a relatively low level of debt – Greenfield land is probably the most sought-after land to build upon – Long-term demographics show growing trend; therefore demand for land will follow – House builders do have very good land banks and can be choosy regarding what they buy 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	<ul style="list-style-type: none"> – Large land portfolio 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 – 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 a cost-effective and timely manner 	↑

Risks and Uncertainties continued

Risk and description	Mitigation	Change during the year
<p>Economic The Group operates solely in the UK and is closely allied to the real estate, housebuilding 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</p>	<ul style="list-style-type: none"> – 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 	↑
<p>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</p>	<ul style="list-style-type: none"> – This risk is increased when unemployment falls and labour markets contract – Long-term employment records indicate 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 	↑
<p>Funding 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 we operate</p>	<ul style="list-style-type: none"> – 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 – As a PLC, access to equity funding is available should this be required 	↓
<p>UK exit from European Union As negotiations unfold we could see further price inflation, reduced market confidence, restrictions to the supply of labour and increased economic uncertainty</p>	<ul style="list-style-type: none"> – 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 operates solely within the UK 	↔
<p>Cybersecurity Unauthorised access to systems, hacking, malware and distributed denial of service could all lead to data loss, business disruption, reputational damage or financial loss</p>	<ul style="list-style-type: none"> – 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 	↑
<p>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</p>	<ul style="list-style-type: none"> – 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 	↓

Key: ↑ Rise ↓ Fall ↔ Remain

Going concern

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

Viability statement Introduction

The business model and strategy of Henry Boot PLC can be found on pages 16 to 19 and page 22 in the Strategic Report. These documents outline the long-term business model and are central to the understanding of how the Group operates. We have operated the current business model successfully for over 15 years, and have a 132-year unbroken trading history. By their nature, the Group's activities tend to be very long-term, especially in the land promotion business and increasingly within property development. The Group's strategy and experience in all of the markets in which we operate have been built up over many years. Over the last ten years, the Group has reported an average profit before tax of £27m per annum, added almost £88m to net assets (an increase of some 48%) and paid 51.75p 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 agreed prior to the commencement of the current financial year and reforecasting takes place each month throughout the financial year within each business and consolidated at Group level. The two succeeding years are also forecast, using 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 reduce investment and borrow less and, whilst profitability is lower, the stable property investment rental income and construction segment returns 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 £72m) and we have pre-sold more than 90% of the current development work in progress.

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

Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over the three-year period ending 31 March 2021.

Corporate Responsibility

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.

During 2017 we launched 'The Henry Boot Way', a partnership with our employees to shape our business for the future, realigning our Purpose, Vision and Values with a modern Henry Boot. Key to our ongoing success is the positive engagement of our employees working in collaboration with each other to ensure that our business operations are aligned to our overall aims of:

- Acting in an ethical manner;
- Taking care of our employees;
- Being responsible for our impact on the environment;
- Delivering best value to our stakeholders and
- Delivering support through charitable donations.

“Henry Boot is a great place to work and we are all proud to work here. Our clients 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

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

Pictured: Group Finance Director, Darren Littlewood presenting a cheque of £500 to Whirlow Hall Farm, which helped replace the farm's ruined winter feed stocks.





Corporate Responsibility continued

PEOPLE

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

Our approach

Employee engagement and employee satisfaction are crucial to the 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. We are committed to providing a working environment in which our employees are empowered and 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

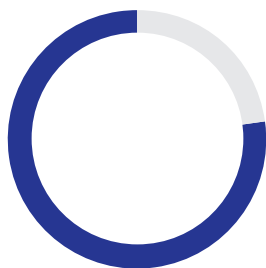
The Henry Boot Group has, following the introduction of the Modern Slavery Act 2015 (the 'Act') implemented a number of measures which seek to bring about greater transparency and scrutiny into our various supply chains, in order to combat slavery and trafficking activities. Further to this, over the past year we have been reviewing the measures put in place and seeking to identify additional actions to strengthen our due diligence and transparency. We have updated our Human Trafficking and Slavery Statement (the 'Statement'), setting out the introductory activities undertaken to reduce the risk of slavery and trafficking activities being present within our business operations. These measures include the introduction of an Anti-Slavery Policy, due

Pictured below: Tom Brady, Trainee Planner, using a theodolite on site at Hull University.



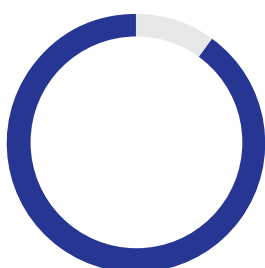
Gender diversity

All employees



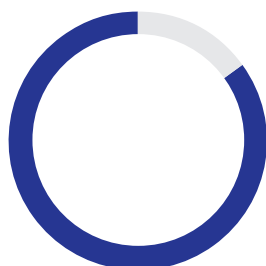
■ Male 77%
■ Female 23%

Directors



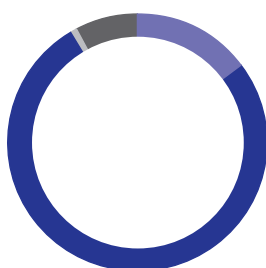
■ Male 90%
■ Female 10%

Senior managers



■ Male 85%
■ Female 15%

As at 31 December 2017 the active membership of the pension arrangements stood at (employees):



■ The Henry Boot Staff Pension & Life Assurance Scheme 82
■ Henry Boot PLC Group Stakeholder Pension Plan 422*
■ Road Link (A69) Limited Pension Plan 5
■ Stonebridge Projects Limited Pension Plan† 42

*65 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.

† From 01 January 2018 this section is named Stonebridge Homes Limited Pension Plan

diligence requirements, and mandatory contract clauses seeking compliance by our supply chain with appropriate anti-slavery measures. Our updated Statement and Policy for 2018 sets out the measures to be put in place during 2018 to increase knowledge and vigilance throughout our organisation and supply chain, and we will be regularly working with our partners, contractors, suppliers and other stakeholders to bring these measures into effect, to review their effectiveness and consider any changes or additional measures as appropriate.

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, among 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

The Group opted to be an early adopter and reported in 2016 in relation to the Equality Act 2010 (Gender Pay Information) Regulations 2017. Further development of the Regulations in 2017 means that we are not obligated by statute to report our gender pay gap as we do not meet the required reporting thresholds. However, we will continue to report voluntarily.

Our mean gender pay gap is currently 27.22% (2016: 27.02%) 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 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. We have a number of our high profile female employees involved in initiatives to encourage women into construction and its associated industries and have worked with a local girls school to establish an attraction strategy to encourage construction and its associated industries as a positive career choice.

Our pension arrangements

During 2017 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).

Corporate Responsibility continued

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.

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. In 2017, we auto-escalated our pension contributions to a minimum of 4% matched by the Company, with a view to a final escalation to 5% matched by the Company in 2018.

Our performance

As part of our push for excellence among our employees, we have robust recruitment procedures in place. Continuing from 2016 we saw a further increase in levels of recruitment in 2017 across all our businesses including the opening of a new office in Birmingham and are cautiously optimistic about the future. Our turnover remains low at 14.2% (2016: 12.4%).

In 2017 we delivered 1,532 training days (2016: 1,057); 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 2017 we recruited 13 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 2018, primarily as part of our succession plans but also in response to the introduction of the Apprenticeship Levy.

In 2017, Trainee Technician Lydia McGuinness was awarded the Further Education Student of the Year at the Generation for Change (G4C) Awards. These awards provide an exclusive opportunity for companies based within the Yorkshire and Humber region to celebrate outstanding examples of excellence and best practice within the sector, and are passionate about focusing on young people and showcasing young talent in the industry.



“I am so honoured to have received the Further Education Student of the Year Award from the G4C. Credit is shared with my colleagues at Henry Boot Construction who have given me so much support and encouragement. The pride I have in working for this company comes from the commitment they have in developing their young employees.”

LYDIA McGUINNESS
Trainee Technician

HEALTH AND SAFETY

A fundamental commitment of the Group is to ensure that the health, safety and welfare of our 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 working environment, and contributes to improving our business performance. We expect our leadership teams to manage all aspects of our business in a safe manner, and employ practical measures to eliminate or minimise risk.

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 Construction segment 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 are also delighted to report a reduction in our AFR to 0.05 per 100,000 hours worked including our subcontractors (2016: 0.17).

We believe that offering the right opportunities will help ensure our employees feel supported and equipped to carry out their role to the best of their ability and manage the needs and challenges of the business. Our employees are able to access a range of development tools or job specific training appropriate to their needs. In 2017, in response to requirements for more responsive and focused training, we introduced an e-learning platform which allows our employees to complete a selection of compliance training while at their desks.



“Every Henry Boot employee is empowered to never accept unsafe attitudes and to ensure Health and Safety is an integral aspect to how we operate as a Group.”

BRENDON KEOWN
Group Health, Safety and Environmental Manager

During 2017, as part of the launch of ‘The Henry Boot Way’, and to encourage the drinking of more water in the workplace while removing single use plastics, all our employees were issued with a promotional water bottle which they can use to ensure they remain hydrated. As we look to 2018, we will focus on the health and well-being of our employees as a priority.

We continue to receive recognition for our efforts in managing health and safety and we were again recipients of a Company-wide RoSPA Gold Medal Award for our project at St Helena, Chesterfield, CIOB Celebrating Construction in Humber & West Yorkshire Contractor of the Year and the Health & Safety Award.

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 on 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.

“We have developed a great relationship with the St Luke’s team and hope to continue to develop it in the forthcoming years. They really got involved in helping me and the committee to organise last year’s events, and were always keen to support us whenever possible. I was so proud to have been part of the team that raised such an incredible sum to support their work.”

AMY OAKLEY
Group Construction Solicitor

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 £80,503 (2016: £65,130) to charitable causes, £18,956 of which was through our Give As You Earn payroll giving mechanism (2016: £15,580).

2017 saw the Group select a Charity of the Year for the first time; we were delighted to continue to support our friends at St Luke’s Hospice. After taking part in the Master Cutler’s Challenge 2016, Henry Boot Group of Companies formed a special relationship with St Luke’s, who were one of the benefactors that year. St Luke’s are a Sheffield charity caring for people aged 18 and above throughout the city who have terminal illnesses. Their aim is to control their symptoms, alleviate pain, and give them the best possible quality of life, which of course being a charity is all free of charge.

We formed an internal committee, with members across the whole Group, to come up with ideas and events to ensure we achieved the same success as in previous years. While the list below contains some familiar fixtures, the committee managed to once again come up with some great events, including:

- Dress Down Day
- Sales from IT equipment
- Employee “Give an hour”
- St Luke’s Raffle
- Bake Off
- Wold Walk
- Race Night at Owlerton Stadium, Hillsborough
- Summer BBQ

It was great to see so much support, not only from our employees but from St Luke’s as well, who throughout the year continually provided us with support with all our fundraising events and staff interaction.

At the end of the year the Group managed to raise £22,539.88 for St Luke’s, a total everyone at Henry Boot should be very proud of. To have raised this amount for a truly fantastic cause is amazing but to have done it with St Luke’s as a partnership will always make 2017 a memorable year.



“We are so grateful to everyone at Henry Boot for the amazing support they have given to St Luke’s. We have formed a fantastic working relationship with their team and have been consistently impressed by their dedication, commitment and passion for supporting our vital work caring for adults with a terminal illness and their loved ones and families in Sheffield. The Henry Boot team developed and delivered an exciting range of fundraising events and opportunities and everyone here at St Luke’s is very grateful for the impact they have had on our work.”

JACK KIDDER
Corporate Fundraising Manager - St Luke’s Hospice

Pictured: Presentation of cheque to St Luke’s Hospice

Corporate Responsibility continued

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.

“As a responsible business, we are committed to minimising the environmental impact of our business operations by applying robust environmental management controls and best practice. Construction activities operate to an Environmental Management System, approved to ISO 14001, which ensures that environmental impacts are minimised on every project and that we continually improve our environmental performance and credentials.”

RICHARD GRAFTON
Head of Policy & Compliance

Pictured: Banner Plant's eco cabins have a number of energy saving devices which help keep the carbon footprint to a minimum on site.



Henry Boot Group CO₂ footprint by source

Henry Boot Group CO ₂ e emissions	2017 Tonnes	2016 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities	2,222	2,060	Rise
Scope 2: Electricity, heat, steam and cooling purchased for own use	1,075	1,133	Fall
Total direct emissions	3,297	3,193	Rise
Total direct emissions per employee ¹	6.8 tonnes CO ₂ e	7.2 tonnes CO ₂ e	Fall
Scope 3: Upstream and downstream indirect emissions	1,115	952	Rise
Total emissions	4,412	4,145	Rise
Total emissions per employee ¹	9.1 tonnes CO ₂ e	9.4 tonnes CO ₂ e	Fall

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

Carbon emissions by segment

Henry Boot Group CO ₂ e emissions	2017 Tonnes of CO ₂ e	2017 Intensity Ratio Tonnes of CO ₂ e	2016 Tonnes of CO ₂ e	2016 Intensity Ratio Tonnes of CO ₂ e	Intensity Basis	Trend
Property investment and development	994	2.3	1,076	2.5	per 1,000 sq ft of investment property with communal areas	Fall
Land development	79	2.32	117	3.56	per employee	Fall
Construction	3,118	38.10	2,765	34.8	per £1m of turnover	Rise
Group overheads	221	3.95	187	3.53	per employee	Rise
Total gross controlled emissions	4,412		4,145			

Our greenhouse gas emissions for the year ended 31 December 2017 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 2017.

Our direct and indirect operational greenhouse gas emissions are shown in the tables above. 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 6% when compared with those of the previous year; this equates to a reduction of 0.3 tonnes per employee.



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



GOVERNANCE

“There is a great culture at Henry Boot which promotes collaboration, integrity and trust between people, divisions and roles.”

TOM DUNN
Assistant Development Surveyor

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BOARD OF DIRECTORS



Read the **Directors' biographies** on pages 58 and 59



Darren Littlewood
Group Finance Director

Gerald Jennings
Non-executive Director

Joanne Lake
Deputy Chairman

Peter Mawson
Non-executive Director



John Sutcliffe
Chief Executive Officer

Jamie Boot
Chairman

Russell Deards
Company Secretary

James Sykes
Non-executive Director

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 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 member of Council at Sheffield University. 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 the 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

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

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 business in Guernsey.

Brings to the Board

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

**PETER MAWSON**

Non-executive Director

Current Role

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

Committees

Nomination (Chairman), Audit and Remuneration.

Additional Roles Held

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.

**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, Chairman of the West and North Yorkshire Chamber of Commerce and Director of G R Jennings Properties Ltd.

Past Roles

Retail Portfolio Director at Land Securities PLC.

Brings to the Board

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

**RUSSELL DEARDS**

Company Secretary

Current Role

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

Additional Roles Held

Company Secretary of the Company's four principal operating subsidiaries. Responsible for Legal, Insurance, IT, HR, Health and Safety, Group Communications and secretariat matters at the PLC Board.

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



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.



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.



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 30 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 also a board member of the National Federation of Builders and a past national chair, a board member of the Yorkshire Builders Federation and a past president of YBF and sits on the CBI Construction Council. He is also a Non-executive Director of Wildgoose Construction Limited.



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.



DARREN STUBBS

Stonebridge Homes 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 Homes 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.

Chairman's Introduction

Welcome to our Corporate Governance Report



“The Board places a strong emphasis on the pursuit of good governance and promoting sound, ethical values.”

JAMIE BOOT
Chairman

Dear Shareholders,

As highlighted earlier in this report, 2017 has been another very successful year both financially and operationally for the Group. The Board places a strong emphasis on the pursuit of good governance and promoting sound, ethical values which are encapsulated in the 'One Henry Boot' Project which has defined the 'Henry Boot Way', including our refreshed Purpose, Vision and Values. I believe it is this approach, alongside the hard work and commitment of our employees, that has continued to keep the Company in operation for over 130 years and will continue to do so for years to come.

There have been no Board changes over the last year following several changes in the preceding 18 months. As Chairman, I am responsible for the overall leadership of the Board and making sure that it functions effectively. We continue to work well together as a group and there is an open culture around the Board table with the Non-executives adding value to discussions and providing a robust and healthy level of challenge to decision-making.

As you can see from the biographies on pages 58 and 59, we have a good balance of internal knowledge and external perspective, varying lengths of tenure, and recent and relevant experience across all the sectors in which we operate. When I became Chairman in January 2016, after 29 years as Group Managing Director, we felt it was in the best interests of our shareholders to appoint three independent Non-executives to provide the necessary impartiality and offer an increased diversity of thinking styles. We will continue to review the composition of the Board considering the needs of the Company, its future strategy and the evolving external landscape.

Strategy Day

In addition to the seven official meetings throughout the year, the Board held an offsite Strategy Day in December which focused entirely on the strategy for the Group and each of the prime

subsidiary companies. The session looked in detail at the external economic backdrop and assessed our internal strengths and weaknesses. We considered our newly defined Purpose, Vision and Values alongside our strategic business priorities. This was a productive and collaborative session which we will look to repeat on an annual basis.

Stakeholders

As part of the refresh of our Purpose, Vision and Values, it was necessary for us to consider and then redefine our stakeholders. You can read more about this project and who our stakeholders are on page 4; further information on our engagement with shareholders follows on page 67. We have always been mindful of the benefits of communicating and collaborating with the stakeholders our business affects and this will remain a key area of Board focus for 2018. We look forward to updating you on our progress next year.

Cyber

In light of the growing regularity of corporate cyberattacks, a Group-wide cyber vulnerability assessment was undertaken. We will continue to monitor cyber risk and activity at Board level on an ongoing basis, particularly with the General Data Protection Regulation coming into force in May 2018.

The following report sets out our governance structures, processes and the work undertaken by the Board and its Committees throughout 2017. I hope to see many of you at our upcoming AGM on 24 May 2018.

JAMIE BOOT
Chairman
20 April 2018

Corporate Governance Statement

The Board believes in the importance of maintaining a high level of corporate governance which helps to promote high ethical standards and sustain the success of the Company over the long-term. The governance structures in place are designed to reflect the individuality of the Company and the composition of both its institutional shareholders and the individual shareholders, many of whom have family ties to the Company.

For this financial year, as a premium listed company, the Company was subject to compliance with the 2016 UK Corporate Governance Code (Code). Further details of how the Code has been applied are set out below on pages 61 to 68.

The Board

The Board remains unchanged from last year and consists of two Executive Directors and five Non-executive Directors, including the Chairman. Biographies are shown on pages 58 and 59.

The Board maintains a formal schedule of matters reserved for its decision which it reviews on an annual basis to check for relevance and to align with new regulatory and best practice developments. Key areas of Board responsibility include:

- strategy and objective setting;
- monitoring the effectiveness of internal controls;
- approving the Company's half-year and full-year financial results announcements;
- capital structure and ensuring funding adequacy; and
- the determination and monitoring of the Company's principal risks.

Throughout the year, and in addition to the areas previously mentioned in my introduction, the Board has focused specifically on topics such as;

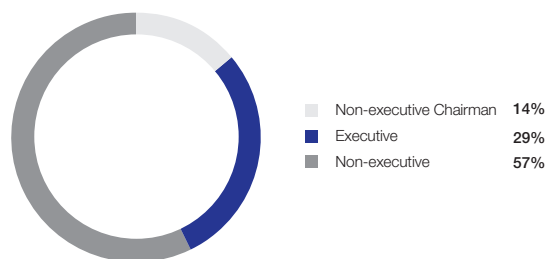
- setting the new Purpose and adoption of the Vision and Values;
- risk management and the effect of Brexit and other political uncertainties on the Company;
- facilitating enhanced health and safety board reporting; and
- oversight of the acquisition of Premier Plant.

Regular reports are also received from all PLC departments, including health and safety, HR, finance and pensions, IT, and legal.

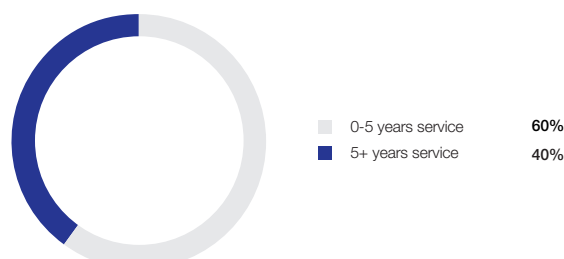
The day-to-day management of the Company's subsidiaries and the responsibility for their operational decisions sits with each respective board of directors, led by a Managing Director. Subsidiary company Managing Directors attend Group Board meetings on a rotational basis to present their operational business plans and strategy. Each subsidiary board meeting is attended by the two main Board Executives and the Company Secretary.

The Operations Board is an executive forum established in January 2016 which 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 main subsidiary company Managing Directors and the Managing Director of Stonebridge Homes Limited, our jointly-owned house builder. Regular updates are fed back to the PLC Board.

Board composition



Non-executive Board tenure



How the responsibilities of the Board are divided

Chairman

- overall leadership of the Board and ensuring its effectiveness on all aspects;
- 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;
- responsible for making sure that the Directors receive accurate, timely and clear information;
- ensures that the continued development needs of the Directors are identified and addressed; and
- has an oversight role and is available to all shareholders.

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 and 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.

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;
- Company Secretary of the subsidiaries and attends the subsidiary board meetings; and
- in primary capacity as Head of PLC Operations, has Board responsibility for matters relating to legal, company secretariat, communications, insurance, IT and HR.

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 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 devolves 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.

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.

Corporate Governance Statement continued

Board and committee meetings

Throughout the year, there were seven Board meetings and a separate offsite Strategy Day. In addition to this, and in order to effectively carry out its duties, the Board delegates authority to committees to look after specific areas of responsibilities. The Board has formally constituted Nomination, Audit and Remuneration Committees which operate within their agreed terms of reference. Each committee is provided with accurate, timely and clear information and has access to external consultants where necessary. Further details of each of the above committees can be found on pages 69 to 91 and such details form part of this Corporate Governance Statement.

During 2017, there was 100% attendance at Board and committee meetings as shown in the table below.

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

* Attends the Audit Committee meetings by invitation.

Board composition

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 58 and 59. The Board believes it has an appropriate balance of Executive and Non-executive, and independent and non-independent Directors having regard to the size and nature of the business. In collaboration with the Nomination Committee, it is felt that the overall combination of experience, skills, knowledge and lengths of service of the current Board members provides an appropriate level of balance which contributes to effective decision-making and helps to mitigate 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.

Jamie Boot was appointed Non-executive Chairman and is regarded as non-independent. As reported previously, the Board viewed this appointment as 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) and is also not regarded as independent.

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 during the Strategy Day.



Pictured: Board tour of the Kampus Development in Manchester

Training and development

Formal and tailored inductions are arranged for all new Directors and continued development is encouraged and monitored by the Chairman.

Non-executive Directors are encouraged to familiarise themselves with the Company's business, for example Gerald Jennings attended three subsidiary company board meetings throughout the year. This provided a further insight into the business and its culture and an opportunity to meet with the wider senior management team. The intention is that Non-executive Directors will continue to attend subsidiary company board meetings on a rotational basis.

During the year, the Board has undertaken site visits and met with PLC department heads. After the Board meeting in October, the Board was given a presentation and a tour of the Kampus Development site in Manchester by Henry Boot Development employees.

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 where appropriate. Conflicts of interest are reported to the Company Secretary and the question is raised at every Board meeting. All potential and actual conflicts are recorded and any resulting approvals. There have been no conflicts of interest in respect of the Company reported to the Board during the year.

Performance evaluation

Performance of the Board and the individual Directors is monitored on a regular basis. Criteria identified for improvement as a result of last year's internal evaluation were reviewed at the Strategy Day and regularly at Board meetings, and good progress has been made during 2017 against targets. It was agreed that all Directors continue to contribute effectively to the Board and its Committees and demonstrate commitment. All Directors will be subject to annual re-election by shareholders at the AGM.

Risk management and internal controls

The Board is responsible for determining the nature and extent of the Company's principal risks. During the year, the Board agreed the principal risks facing the Company and carried out a robust assessment of these risks. See pages 40 to 43 for more details and the Company's viability statement.

Corporate Governance Statement continued

The Board is also responsible for the Company's internal controls and operates a system which is reviewed regularly for effectiveness. The process 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 requires formal risk registers to be produced in a structured format for every subsidiary and PLC department, to be reviewed at least every six months. The Board is satisfied with the current system in place and can confirm that no material weaknesses have been identified 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 regularly 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, finance, 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 the Group Finance Director (finance) or the Company Secretary) responsible for that particular operation. The CEO retains ultimate responsibility for health and safety.

Operations Board

The Operations Board is an executive forum which promotes group working, inter-company co-operation and sharing of best practice.

Internal controls

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

Business procurement

All development appraisals, land purchases and 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 certain aspects of operations, such as health and safety, with the balance of the operations being governed by procedures set out in contracts and risk assessment and mitigation measures typically set out in project-specific documents such as Board reports and project updates. 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.

Whistleblowing arrangements

The Company has a whistleblowing policy in place for all employees of the Group, 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 Ethics, Anti-Bribery and Corruption, HR and Governance policies. Employees are also encouraged to "speak out" via a series of posters.

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, and 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.

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, with the latest refresh being carried out in December 2017 for issue to all Group employees, external suppliers and service providers. Mandatory online training on anti-bribery and corruption has also been carried out with all employees during 2017. In addition, as part of an overarching review of all corporate governance policies (including ethics, whistleblowing, competition law, gifts and hospitality, and staff purchases, and also now incorporating the Anti-Slavery Policy), these have all been updated and reissued. The suite of corporate governance policies will also be joined by updated data protection documentation during the course of 2018 due to the implementation of the General Data Protection Regulation. All policies reflect and refer to the Group's values, and further training will be delivered on all relevant topics.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 97. The Independent Auditors' Report is given on pages 100 to 105

The Directors' statement in respect of the business as a going concern and the viability statement is provided on page 43.

Fair, balanced and understandable

The Board has 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 97.

Shareholder relations

The Company actively communicates with its institutional and private shareholders and values a two-way conversation on key Company issues. It is this close relationship with shareholders that is viewed as one of the Company's particular strengths.

In June 2017, the Company hosted an investor and analyst day, touring a completed construction scheme and two key developments. The visits included the refurbishment of a Grade II listed building at the University of Derby, St Helena's Campus in Chesterfield, a 200-acre employment park being developed in partnership with Derbyshire County Council and The Residence, part of the 27-acre former Terry's Chocolate Factory at York which was converted into 165 residential properties. The visit provided the opportunity to meet the Group's subsidiary Managing Directors as well as the Board's Executive Directors.

During the year a number of formal presentations were made by members of the Board to institutional shareholders and feedback from these meetings was provided to the Board by our stockbrokers. In addition, 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. The website is designed to communicate with both present and potential investors and includes all London Stock Exchange announcements, analyst presentations and press releases.

The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2017, votes were received representing 67.93% 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 92 to 96.

Compliance Statement

The Company has complied with all the principles of the Code for the year ended 31 December 2017 and the vast majority of the provisions. However, as in previous years, there are a number of instances where the Company has chosen to take advantage of the flexibility offered with the "comply or explain" rule when applying certain provisions. Due to the size of the Company and its unique shareholder base, the Company has adopted alternative solutions to some provisions, see below for further details. The Code recognises that good governance can be achieved by other means and the Board believes the approach we have taken is most appropriate for the Company and remains consistent with the spirit of the Code.

A.3.1

As previously disclosed, the Chairman was not independent on appointment, having served as Group Managing Director for 29 years. We continue to support this appointment based on the extensive knowledge and experience of the Group and industry that Jamie Boot brings to the role and to Board discussions.

In order to mitigate any independence concerns, three independent Non-executive Directors were appointed at the same time to provide balance, challenge and an external viewpoint.

C.3.1 and D.2.1

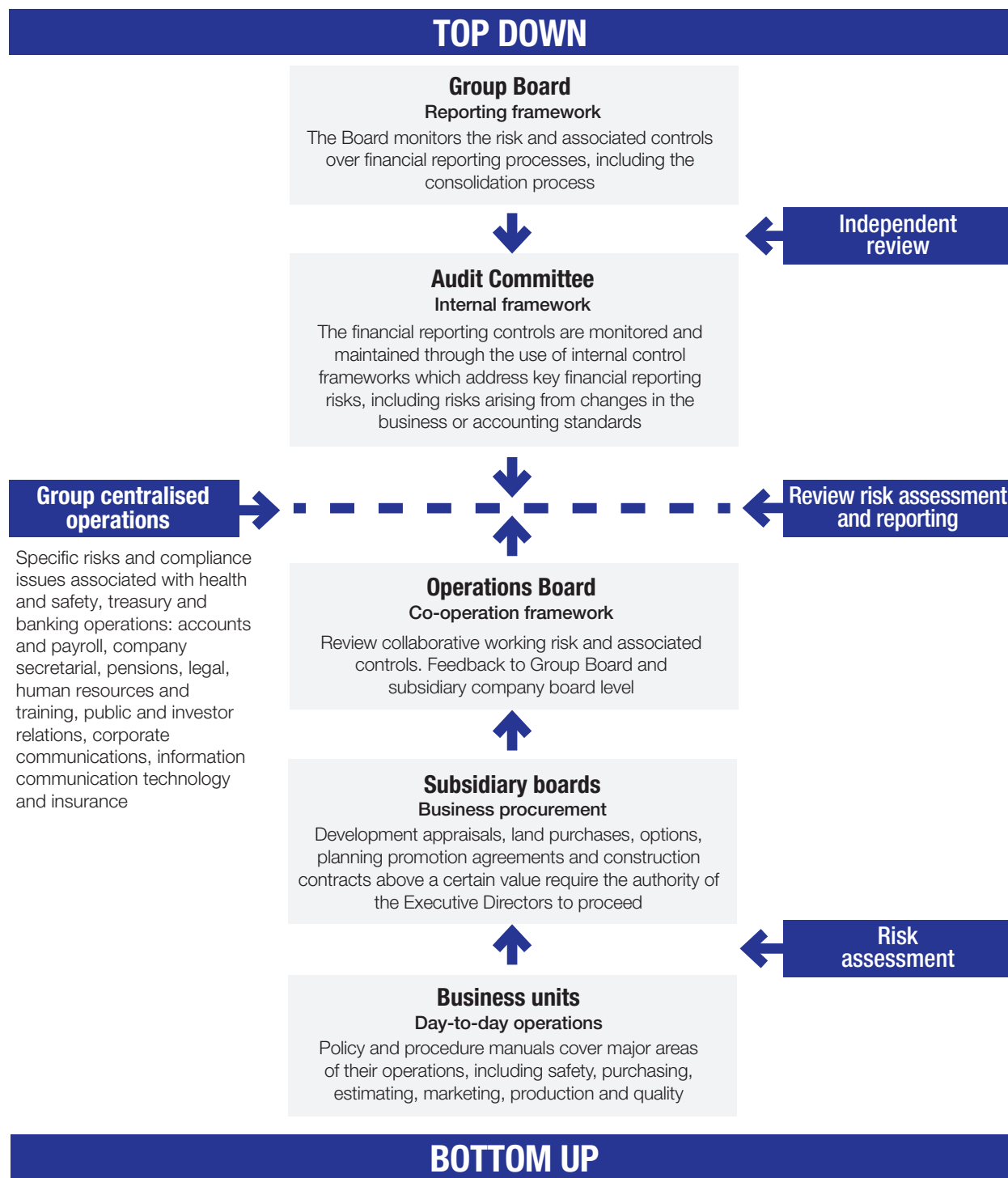
As Company Chairman, Jamie Boot is a member of both the Audit and Remuneration Committees, despite not being independent on appointment. It is felt that he adds experience, value and considerable expertise to committee meetings. There remains an overall majority of independent members for each forum, both of which are chaired by Non-executive Directors with experience in their respective areas.

Approved by the Board and signed on its behalf by

RUSSELL DEARDS
Company Secretary
20 April 2018

Corporate Governance Statement continued

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.



Nomination Committee Report

Statement from the Chairman of the Nomination Committee



“The Committee understands the importance of playing an active role in preparing for the future.”

PETER MAWSON
Chairman of the Nomination Committee

The Nomination Committee (the Committee) remains unchanged from last year, with Peter Mawson (Committee Chairman), Jamie Boot, Gerald Jennings, Joanne Lake and James Sykes as members. Biographies are shown on pages 58 and 59.

Review of the year

The role of the Committee is key to the Company's continued success. It is our responsibility to ensure that we have the right people in place to lead the Company in line with its current and future strategy and make sure that there is an appropriate balance of knowledge, skills and experience to do so.

Following numerous changes to the Board and Executive team at the beginning of 2016, there have been no further appointments or departures during the last financial year. However, the Committee understands the importance of playing an active role in preparing for the future. We met three times in 2017 with a focus on leadership development and succession planning across all senior management levels. Committee meeting attendance is shown on page 64.

Succession planning

We welcome the proposed changes to the UK Corporate Governance Code to formally extend the Committee's remit more widely to cover senior executive succession. We recognise the need to continuously review the balance of knowledge, skills and expertise of the Board and our senior leadership teams in order to plan for the long-term requirements of the Group; both in terms of succession and broader leadership development.

This year, after a formal tender process, we have commissioned the Quo Group to partner with us to design and deliver the first cohort of our Senior Leadership Development Programme. The Committee has played a lead role in identifying our partner as well as ensuring that the programme has been designed to meet our specific requirements and needs (including alignment with 'The Henry Boot Way' - see pages 14 and 15). We are confident that this will form the blueprint for future Development Programmes for the whole Group; and serve to demonstrate our ongoing commitment to promoting opportunities for growth and progression across the entire workforce.

Diversity

The Company and the Board are committed to creating a culture that respects and values each other's differences, that promotes dignity, equality and diversity and that encourages individuals to develop and maximise their true potential.

At 31 December 2017 we had 14% women on our Board. Figures for the number of women in senior management positions and across the Group are shown on page 47.

The 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.

Nomination Committee Report continued

Statement from the Chairman of the Nomination Committee

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 reflected and decided not to impose a quota regarding gender balance, preferring instead to appoint strictly on merit. This is a subject, however, which is kept under regular review.

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.

Annual re-election by shareholders

The Board has agreed that all Directors will retire from the Board on an annual basis and offer themselves for re-election at the next AGM. The Committee has conducted 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 composition of the Board and its committees allows them to discharge their respective duties and responsibilities effectively. The Directors' biographies are shown on pages 58 and 59.

The Committee operates under its terms of reference which have been approved by the Board and are reviewed on an annual basis.

Approved by the Board and signed on its behalf by

PETER MAWSON
Chairman of the Nomination Committee
20 April 2018

Audit Committee Report

Statement from the 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.”

JAMES SYKES
Chairman of the Audit Committee

Those serving as members of the Audit Committee (the Committee) for the whole of 2017 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 58 and 59.

Terms of reference

The terms of reference for this Committee incorporate the UK Corporate Governance Code's provisions in relation to its roles and responsibilities and 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, 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;
- 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.

In March 2018 the Committee opted to increase the frequency of its meetings with a greater focus on monitoring risk across the Group. As a result, the Committee changed its name to the "Audit and Risk Committee". We will provide more details on this change and the work we have done in next year's report.

Audit Committee Report continued

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 64.

Audit Committee matters are also discussed at each Board meeting.

Committee activities during the year

In 2017 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 Statement and reports from the external auditors on the outcome of its audit in 2017.

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 43.

Construction accounting judgements

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

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

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

Valuation of investment property

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

Valuation of 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.

Other advisory services received during the year and the amount paid for these services equated to 2% of the amount paid for audit fees.

KPMG continued to provide the Group's taxation services for the year ended 31 December 2017.

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, and rotates off the role following signing off these financial statements.

The external auditors are also required to assess on an annual basis whether, in their professional opinion, they are independent, 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 is 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 auditors, 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 eight 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 is 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 40 to 43.

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

Internal audit

The Audit Committee has from time to time considered the requirement for an internal audit department. Having previously taken the view that the benefits would not outweigh the costs, the Committee recently determined that the scale and nature of its operations was now sufficiently large and complex that such a dedicated resource might be beneficial. Consideration was given to the engagement of an internal audit service and a third party provider was appointed in February 2018. Due to resourcing levels, the Committee decided to outsource this function to a specialist provider with expertise and knowledge across all of our different business segments.

Approved by the Board and signed on its behalf by

JAMES SYKES
Chairman of the Audit Committee
20 April 2018

Directors' Remuneration Report

Statement from the Chairman of the Remuneration Committee



“Our forward-looking strategy of investing in our people and long-term opportunities aimed at creating long-term stakeholder value produced our best ever financial result in 2017.”

JOANNE LAKE
Chairman of the Remuneration Committee

Those serving as members of the Remuneration Committee (the Committee) for the whole of 2017 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 58 and 59.

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 2017.

Our forward-looking strategy of investing in our people and long-term opportunities aimed at creating long-term stakeholder value produced our best ever financial result in 2017. The markets in which our various businesses trade continued to be supportive with many areas 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.

2017 proved to be our best performance to date with:

- profit before tax increasing 40% to £55.4m;
- basic earnings per share increasing 49% to 32.1p;
- Return on Capital Employed increasing 420 bps to 18.6%;
- dividends for the year increasing 14% to 8.00p;
- dividend cover remains above our long-term goal of three times;
- our strategic land portfolio increased in size again to over 13,000 acres with planning permission on over 18,000 units;
- we now have more active commercial developments in progress than at any stage before;
- our construction business has a strong order book for 2018 and our plant hire business continues to operate at its highest level of utilisation for many years.

Executive remuneration outcomes for 2017

In the current market conditions, the 2017 results, with a 40% increase in pre-tax profits, were impressive. In 2017 the combined overall remuneration of the Executive Directors, on a like-for-like basis, increased by 17.2%, and 9.5% including the costs of our Non-executive Directors.

Salaries of the Executive Directors were increased by 4.9% at 1 January 2018 and by 6.9% at 1 January 2017 compared to an increase across the Company in total of 8.2% during 2017 and of 4.7% at 1 January 2018.

Bonuses were paid in line with the Remuneration Policy approved at the Annual General Meeting (AGM) in May 2015. Target profit was set at £36m. The profit before tax of £55.4m exceeds the target by 53.9% and gives rise to a bonus of 110.0% of salary for the year ended 31 December 2017.

In addition, the Remuneration Committee set 17 targets, which were the same for John Sutcliffe and Darren Littlewood. These covered measures such as the achievement of individual subsidiary budgets, cash flow generation, health and safety performance, a measure related to positive investor feedback and litigation risk. The Remuneration Committee considers that the Directors achieved 90% of these targets, resulting in a bonus of 9.0% of salary.

Therefore, the total bonus for each Executive Director is 119.0% of salary.

LTIPS vesting, based on performance for the three years to 31 December 2017, 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 2017 was:

- i. Earnings Per Share growth was 98% against the target of 14% (being inflation plus 7%) and, therefore, this part of the award vests in full;
- ii. Return On Capital Employed was 17% on average against the maximum target of 13% and, therefore, this part of the award vests in full;
- iii. Total Shareholder Return of 80.7% was in the upper quartile when set against the comparator group and, therefore, this part of the award vests in full.

Therefore, the award of LTIP shares to Jamie Boot is 31,228 shares, and to John Sutcliffe 109,060 shares.

Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration Policy during 2017, it is in line with that which was approved by shareholders at the AGM in 2015. The Remuneration Policy has been reviewed and updated where appropriate and is included on pages 84 to 91 and will be put to a shareholder vote at the AGM on 24 May 2018.

The application of Directors' Remuneration Policy for 2018

- Following a review by the Committee, John Sutcliffe was awarded a 0.64% pay rise and Darren Littlewood was awarded a 14.3% pay rise. The Non-executive Directors were awarded a 3.0% uplift in basic salary or fees for the year ending 31 December 2018. The average across the workforce as a whole was 4.8% at 1 January 2018.
- The bonus opportunity for the Executive Directors is detailed in the Remuneration Policy and will apply as laid out in the policy on pages 84 to 91.
- 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 2018. Specifically, this will arise if the Committee considers that there has been a material misstatement within the subsidiary or Group Financial Statements; or a material error in the calculation of any performance condition; or materially inaccurate or misleading information, or in the case of action or conduct of the participant which amounts to fraud or gross misconduct or has a material detrimental effect on the reputation of the Group. Any future awards will also be subject to clawback of all or part of the award during a two-year period in the above circumstances. It is not expected that there will be any material amendments to the value of other benefits, including pensions, during 2018.

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.

Directors' Remuneration Report continued

The report sets out payments and awards made to the Directors and details the link between performance and remuneration for 2017. 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 74 to 83 of the Directors' Remuneration Report and Policy is subject to audit.

Summary of the Committee's activity during 2017

During 2017 the Committee:

- approved Executive Directors' base pay and benefits for 2017. Salary increases for the Executive Directors at 1 January 2017 were 3% for John Sutcliffe and £25,000 (16.7%) for Darren Littlewood and from 1 January 2018 have been set at 0.64% for John Sutcliffe and £25,000 (14.3%) 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 2017 and against that background set performance targets for 2018;
- considered the remuneration packages for John Sutcliffe and Darren Littlewood with effect from 1 January 2018. For John Sutcliffe this was set at £390,000 and for Darren Littlewood, £200,000. The Committee anticipates reviewing and uplifting the salary of Darren Littlewood each year for the next two 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.

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
20 April 2018

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 2017	Salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives¹ £'000	Pension-related benefits £'000	Total £'000
John Sutcliffe	388	32	461	340	78	1,299
Darren Littlewood	175	25	208	—	34	442
Jamie Boot	82	—	—	97	—	179
James Sykes	44	—	—	—	—	44
Joanne Lake	44	—	—	—	—	44
Gerald Jennings	44	—	—	—	—	44
Peter Mawson	44	—	—	—	—	44
	821	57	669	437	112	2,096

¹ Jamie Boot LTIP award is pro rata basis to his retirement date of 31 December, under provisions for good leavers.

Year ended 31 December 2016	Salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives¹ £'000	Pension-related benefits £'000	Total £'000
John Sutcliffe	376	31	411	225	75	1,118
Darren Littlewood	150	24	164	—	29	367
Jamie Boot	80	—	—	182	—	262
James Sykes	42	—	—	—	—	42
Joanne Lake	42	—	—	—	—	42
Gerald Jennings	42	—	—	—	—	42
Peter Mawson	42	—	—	—	—	42
	774	55	575	407	104	1,915

¹ The value of long-term incentives has been adjusted from the average share price for the period 1 October 2016 to 31 December 2016 of £1.98 to the price on the day the shares were issued of £2.95.

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 78 and 79.
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 2017 valued at the average share price over the last three months of 2017.
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.

Directors' Remuneration Report continued

Individual elements of remuneration

Base salary and fees

Executive Directors

Salary effective from	1 January 2018 £	1 January 2017 £	1 January 2016 £
John Sutcliffe	390,000	387,523	376,236
Darren Littlewood	200,000	175,000	150,000

Over the years 2014–2017 basic salary increases for the Chief Executive Officer were 3.0%. On 1 January 2018 the basic salary increase was 0.64%. 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 anticipates 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 4.4% from 1 January 2016, 5.0% from 1 January 2017 and 4.7% on 1 January 2018.

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.

Summary of bonuses earned for 2017

Measure	Maximum award as % of salary	Targets and bonus potential for 2017			Actual Performance	Actual bonus value achieved (% of salary)	
		% of target	2017 target range	Bonus payable as % salary		John Sutcliffe	Darren Littlewood
Profit before tax	110%	90%	£32.4m	10%	£55.4m	110.0%	110.0%
		100%	£36.0m	50%			
		120%	£43.2m	90%			
		150%	£54.0m	110%			
Personal objectives	10%	See commentary on page 79				9.0%	9.0%
Bonus amount achieved as % salary						119.0%	119.0%
Bonus amount earned						£461,152	£208,250
Maximum bonus as % salary						120%	120%
Bonus amount achieved as % maximum						99.2%	99.2%

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

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 2018 £	1 January 2017 £	1 January 2016 £
Jamie Boot	85,000	82,400	80,000
James Sykes	45,000	43,709	42,436
Joanne Lake	45,000	43,709	42,436
Gerald Jennings	45,000	43,709	42,436
Peter Mawson	45,000	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.

Bonuses were paid in line with the Directors' Remuneration Policy approved at the AGM in May 2015. Target profit was set at £36m, 24% ahead of the target set in 2016. The Remuneration Committee also set 17 individual targets, which were the same for John Sutcliffe and Darren Littlewood. These covered measures such as the achievement of individual subsidiary budgets, cash flow generation, health and safety performance, a measure related to positive investor feedback, and litigation risk. The Remuneration Committee considers that the Executive Directors achieved 90% of these targets, resulting in a bonus of 9.0% of salary. The profit before tax of £55.4m exceeds the target by 53.9% and this, combined with the personal targets, gives rise to a bonus of 119.0% of salary for the year ended 31 December 2017.

Details of the policy for future annual bonus awards can be found in the policy table on page 86.

31 December 2018 bonus targets

Profit before tax performance: 10% of salary payable on achieving 90% of Group profit target, rising to 80% 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 2018 Directors' Remuneration Report.

Personal objectives: Up to an additional 20% 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 2015, based on performance for the years 2015, 2016 and 2017, which are expected to vest in June 2018. The LTIP shares in this award are subject to the following performance criteria:

- i. EPS growth ahead of inflation: EPS growth was 98%, which exceeded RPI growth by more than 91% and therefore this 33.3% of the award became eligible;
- ii. Average annual return on capital employed above 13%: this was 17% 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 80.7%, putting it in the upper quartile within the comparator group and therefore this 33.4% of the award became eligible.

Together, these resulted in LTIP awards of: Jamie Boot 31,228 shares; and John Sutcliffe 109,060 shares; and gave rise to the award values in the single total figure of remuneration at 31 December 2017 on page 77.

For Jamie Boot this award 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 £2.412 per share	% of award vesting at threshold
John Sutcliffe	LTIP – nil cost option	100%	160,665	387,523	25%
Darren Littlewood	LTIP – nil cost option	100%	72,554	175,000	25%

Awards expected to be granted for the financial years 2018–2020 in 2018

	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 found in the policy table on page 87.

Directors' Remuneration Report continued

Pension entitlement

John Sutcliffe is a deferred 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 £nil (2016: £18,812). The annual allowance for tax relief on pension savings applicable to John Sutcliffe in 2017 was £nil and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £77,505 (2016: £56,435).

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 2017 was £23,754 and the pensionable salary available for use within the Scheme at 31 December 2017 was £57,322. 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 £10,966. The annual allowance for tax relief on pension savings applicable to Darren Littlewood in 2017 was £10,966 and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £12,570.

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 2017

	At 31 December 2016	At 31 December 2017	Legally owned	SAYE (not subject to performance)	LTIPs subject to performance measures	Total	Legally owned shareholding as a % of salary or fees ¹	Share interests as a % of salary or fees
Jamie Boot	5,799,302	5,861,046	5,861,046	—	31,228	5,892,274	21,996	22,113
John Sutcliffe	543,769	605,169	605,169	—	446,694	1,051,863	495	860
Darren Littlewood	24,694	50,000	50,000	6,666	143,109	199,775	80	319
James Sykes	20,000	20,000	20,000	—	—	20,000	142	142
Joanne Lake	10,710	10,710	10,710	—	—	10,710	76	76
Gerald Jennings	—	3,750	3,750	—	—	3,750	27	27
Peter Mawson	10,000	10,000	10,000	—	—	10,000	71	71

The share price at 31 December 2017 was 319.00p. The salary used for this calculation is that which commences on 1 January 2018.

¹ Details of Director shareholding requirements can be found in the Remuneration Policy which can be viewed on pages 84 to 91.

Directors' shareholdings

The beneficial interest of the Directors in the share capital of the Company at 31 December 2017 was as follows:

	2017		2016	
	Number of shares		Number of shares	
	Ordinary	Preference	Ordinary	Preference
Jamie Boot	5,861,046	14,753	5,799,302	14,753
John Sutcliffe	605,169	—	543,769	—
Darren Littlewood	50,000	—	24,694	—
James Sykes	20,000	—	20,000	—
Joanne Lake	10,710	—	10,710	—
Gerald Jennings	3,750	—	—	—
Peter Mawson	10,000	—	10,000	—

Between 31 December 2017 and 23 March 2018, 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 2017	Awarded during the year	Vested during the year	Lapsed during the year	At 31 December 2017	Earliest/actual vesting date	Market valuation on vesting £
Jamie Boot	2006 07/05/2014	211.0p	92,709	—	61,744	30,965	—	07/06/2017	182,064
	2015 01/06/2015	228.6p	31,228	—	—	—	31,228	01/06/2018	—
			123,937	—	61,744	30,965	31,228		182,064
John Sutcliffe	2006 07/05/2014	211.0p	114,715	—	76,400	38,315	—	07/06/2017	225,280
	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	—
	2015 24/04/2017	241.2p	—	160,665	—	—	160,665	24/05/2020	—
			361,204	160,665	76,400	38,315	446,694		225,280
Darren Littlewood	2015 21/04/2016	212.6p	70,555	—	—	—	70,555	21/05/2019	—
	2015 24/04/2017	241.2p	—	72,554	—	—	72,554	24/05/2020	—
			—	72,554	—	—	143,109		—

Sharesave Plan

Plan	At 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017	Exercise price	Date from which exercisable	Expiry date
Darren	2014	10,465	—	10,465	—	172.0p	01/12/2017	31/05/2018
Littlewood	2017	—	6,666	—	6,666	270.0p	01/12/2020	31/05/2021
		10,465	6,666	10,465	6,666			

Company Share Option Plan

Plan	At 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017	Exercise price	Date from which exercisable	Expiry date
Darren Littlewood	2014	10,000	—	10,000	—	191.0p	06/10/2017	01/10/2024

Directors' Remuneration Report continued

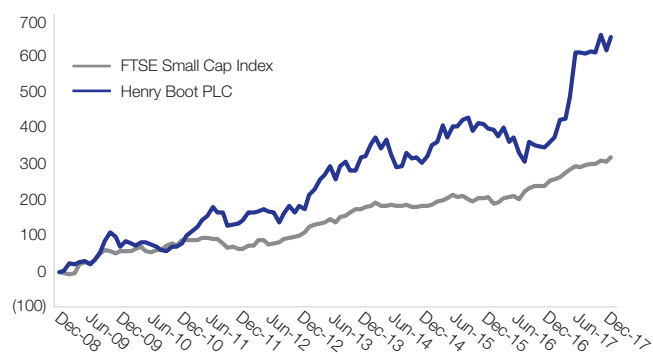
Statement of voting at the last Annual General Meeting (AGM)

The Company remains committed to shareholder dialogue and takes an active interest in voting outcomes. At the AGM on 25 May 2017 the resolution put to shareholders on an advisory basis to receive and approve the 2016 Directors' Remuneration Report was passed. The number of votes in favour of that resolution was 89,114,224 (99.34% of votes cast), against 595,354 (0.66% of votes cast) and withheld 30,995. The total number of votes cast in respect of this resolution represented 67.90% of the issued share capital.

Share price

The middle market price for the Company's shares at 31 December 2017 was 319.00p and the range of prices during the year was 193.50p to 336.38p.

Nine-year TSR performance graph



Chief Executive Officer's remuneration for the previous nine years

	Total remuneration £'000	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2017	1,299	99.2	100
2016	1,118	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	Chief Executive Officer	Workforce sample
Salary		3.0%	8.3%
Taxable benefits	1	—	—
Annual bonus 2016	2	6.8%	22.6%
Annual bonus 2017	2	12.1%	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 2018 for the year ended 31 December 2017 and the figure is therefore not available. Therefore, the information produced is for the bonus comparisons paid in May 2017 for the year ended 31 December 2016. 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:

	2017 £'000	2016 £'000	% change
Ordinary dividends	10,579	9,208	14.9
Profit attributable to owners of the business	42,368	28,259	49.9
Overall expenditure on pay	30,630	25,743	19.0

Terms of reference

The terms of reference for the Remuneration Committee (the Committee) 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 this meeting by the Committee members is shown in the table on page 64 and further details can be found below.

Membership of the Committee

Those serving as members of the Committee for the whole of 2017 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 58 and 59. 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, comprised as follows:

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

During 2017 John Sutcliffe, Chief Executive Officer, attended the meeting 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 meeting 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
20 April 2018

Directors' Remuneration Policy

This section of the report sets out the Company's policy on the remuneration of Directors which will be put to a binding shareholder vote at the 2018 AGM. Subject to shareholder approval, the policy will take effect from the date of the 2018 AGM.

Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration Policy, it is in line with that which operated up to the end of 2017. In order to further align the Remuneration Policy to Company performance and shareholder interests, several changes are proposed as follows.

The Committee has agreed to cap the maximum basic salary for Executive Directors to be no greater than the median rate of the upper quartile of the FTSE SmallCap Index for the comparable position held.

The Committee has also proposed one change to the annual bonus policy, which is to give increased weighting to personal performance objectives when assessing the performance criteria for annual bonuses. Instead of 10% of normal bonus opportunity being based on individual measures, this is increased to 20%. This change is intended to increase the focus on personal performance objectives.

Historically, equal weighting has been given to the three performance conditions relating to the LTIP awards; EPS, ROCE and TSR. We propose to amend the policy to allow flexibility to vary the weightings if thought appropriate, provided that none of the criteria exceeds 50%. In reality we have no current intention to change the weighting from 33.3% for each measure.

Lastly, in line with investor guidelines the Committee has also proposed to increase the Executive Directors minimum shareholding requirements from 100% to 200% for the Chief Executive Officer and 150% for the Group Finance Director.

No other changes are proposed to the current Remuneration Policy.

Linking remuneration with strategy

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

Alignment with strategy	<ul style="list-style-type: none">— Stretching profit and therefore earnings per share performance targets are key drivers to long-term shareholder value growth. These are important performance elements of the annual bonus and long-term share incentive plans.
Alignment with shareholders	<ul style="list-style-type: none">— A significant part of the potential remuneration package is delivered in shares, and the performance measures to achieve that element of remuneration incorporate growth in earnings, Company capital and shareholder returns, aligning shareholder interests to remuneration.— There are minimum shareholding criteria for Directors.
Attracting and retaining the right people	<ul style="list-style-type: none">— Our Remuneration Policy is designed to attract, motivate and retain a high-quality group of talented individuals over the long-term who are incentivised to deliver the strategy through a clear link between reward and performance without taking excessive risks.— We seek to ensure that Director and senior management salaries are set in relation to their peers and other available opportunities and by reference to the wider workforce. At the same time, we ensure that we do not pay more than is necessary or reward failure.

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

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

Policy table

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Salary	<p>Core element of the Executive Directors' fixed remuneration reflecting the role, experience and comparable companies in the FTSE.</p> <p>The Committee also considers whether the basic salary is a competitive benchmark to recruit and retain executive talent.</p>	<p>The Committee reviews base salaries annually, taking into consideration:</p> <ol style="list-style-type: none"> the value of the individual to the Group, their skills, experience and performance; pay increase levels in the Group and more generally in the marketplace; and the Group organisation profitability and prevailing market conditions. that maximum salary is to be no greater than the median rate of the upper quartile of the FTSE SmallCap Index for the comparable position held. 	<p>Salary increases will normally be in line with the wider Group. The Committee will consider any increase out of line with this very carefully. Higher increases may be awarded in exceptional circumstances. These could include:</p> <ol style="list-style-type: none"> relevant commercial factors; increasing scope and responsibility; promotional increases; and falling below market positioning. 	<p>Maximum salary to be no greater than median rate of the upper quartile of the FTSE SmallCap Index for the comparable position held.</p> <p>Individual performance is one of the considerations in setting salary levels.</p>
Benefits	<p>These are provided on a market competitive basis to assist in recruiting and retaining Executive Directors</p>	<p>Executive Directors currently receive:</p> <ol style="list-style-type: none"> a car allowance; private health insurance; permanent health insurance; death in service cover; and the offer of participation in the SAYE Scheme. <p>The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practice or the operational needs of the Group.</p>	<p>The Committee considers that the level of benefits provided is market consistent.</p> <p>The cost of providing benefits is borne by the Company and varies from time to time.</p>	<p>None.</p>

Directors' Remuneration Policy continued

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Pensions	To help retain and recruit Executive Directors, ensuring an adequate retirement income.	Executive Directors are eligible for membership of the defined contribution scheme or a cash supplement in lieu of this. The Group's defined benefit scheme is now closed to new members, however internal promotees to an Executive Director will retain their membership.	An accrued pension based upon pensionable salary within the defined benefit scheme. Up to 20% of basic salary under the defined contribution scheme or in respect of salary above the cap within the defined benefit scheme may be paid.	None.
Annual bonus	To incentivise the delivery of financial performance, operational targets and individual objectives.	Targets are reviewed annually and any payment is determined by the Committee after the year end based on targets set for the financial year. Bonus is paid in cash. There is no deferral of bonus; however, malus and clawback provisions exist in line with those which apply to the LTIP scheme. The Committee has the discretion in exceptional circumstances to change performance measures and targets part-way through a performance year if there is a significant event which causes the Committee to believe the original measures and targets are no longer a fair and accurate measure of business performance.	Normal bonus opportunity is 100% of salary. For exceptional performance, bonus opportunity increases to 120% of salary.	Challenging but achievable operational and individual targets are determined at the beginning of the financial year. For normal bonus opportunity, 80% is based on financial performance, 20% on other individual measures. Financial measure: 90%–120% of target profit. Bonus at 90% of target equates to 10% of salary; at 120% of target bonus equates to 80%. For exceptional financial performance over 120% and up to 150% of target, a pro rata 20% of salary may be payable, capping total bonus at 120% of salary.

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Long Term Incentive Plan	The intention of the Henry Boot Long Term Incentive Plan is to provide a clear and strong link between the remuneration of Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for achieving longer-term objectives aligned closely to shareholders' interests.	The Committee typically awards LTIP shares annually to Executive Directors equal to 100% of basic salary. Awards vest after the third anniversary of grant subject to performance conditions. The rules include a holding period of two years post vesting, and malus and clawback conditions. The Committee has the discretion in exceptional circumstances to change performance measures and targets part-way through a performance year if there is a significant event which causes the Committee to believe the original measures and targets are no longer a fair and accurate measure of business performance.	The rules permit grants of up to a maximum of 200% of salary to be made on an annual basis. The Remuneration Committee has no current intention of increasing the annual grant of 100%.	<p>Vesting of the awards will normally occur provided that the participant is still employed by the Group at the end of the vesting period (subject to good leaver provisions) and that the performance targets for the three-year performance period have been satisfied. 25% of the LTIP vests for the achievement of threshold performance.</p> <p>The LTIP will be subject to a range of performance conditions including EPS, ROCE and TSR with weightings for each condition of no more than 50%, which the Committee believes align the interests of Executives and shareholders.</p> <p>If these LTIP performance conditions are achieved, the Committee must be satisfied that, in its opinion, the underlying financial performance of the Group over the measurement period has been satisfactory.</p>
Shareholding guidelines	The Committee believes that Executive Directors' share ownership aligns their interests to those of shareholders generally.	The Chief Executive Officer is required to have acquired and retained a shareholding of Henry Boot PLC shares to the value of 200% of his base salary and the Group Finance Director to the value of 150% of his base salary. Executive Directors are expected to retain 50% of any LTIP awards until holdings reach the required level.	Not applicable.	<p>The shareholding requirements have been increased from 100% of base salary.</p> <p>John Sutcliffe satisfies the shareholding criteria of 200%.</p> <p>Darren Littlewood has been given the new requirement of 150% from the committee. The satisfaction date has been extended by 2 years, to 31 December 2020.</p>

Directors’ Remuneration Policy continued

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Non-executive Director fees	The Board aims to recruit and retain high calibre Non-executive Directors with the relevant experience required to achieve success for the Company and its shareholders.	<p>The fees of the Chairman are determined by the Committee and the fees of the Non-executive Directors are determined by the Board following a recommendation from both the Chief Executive Officer and the Chairman.</p> <p>Non-executive Directors are not eligible to participate in any of the Company’s share schemes, incentive arrangements or pension schemes.</p>	Non-executive Directors are paid a basic fee with additional fees for chairing committees. By the third anniversary of their appointment to the Board, Non-executive Directors are required to have acquired and retained a holding of Henry Boot shares equivalent to the value of 50% of their base fee.	None. However, individual performance is considered on an annual basis by the Chairman and Chief Executive Officer.

Notes to the policy table

Explanation of the performance measures chosen

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

The performance targets used to determine annual bonus reflect the key financial objectives of the Company and any award is for delivery against these measures in line with the policy on page 86. As noted, the Committee has changed the current annual bonus policy to increase the weighting for individual objectives to 20% from 10%.

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

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

Malus and clawback

The Committee has discretion to claw back awards made under the annual bonus plan and LTIP in the event of a material misstatement in the audited consolidated accounts of the Company, a material error in assessing any performance condition, or employee misconduct. In these circumstances the Committee has discretion to reduce or cancel awards, or require the participant to repay some or all of the value delivered from a bonus or LTIP awards, at any time up to the second anniversary of vesting of LTIP awards or payment of annual bonus.

‘Good leaver’ status

‘Good leaver’ status occurs upon the cessation of employment for a good reason, such reasons being defined as death; ill health; injury; disability; retirement; redundancy or for any other reason if the Committee so decides.

Differences in policy from the wider employee group

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

These are:

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

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

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

Recruitment remuneration policy

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

Remuneration element	Policy on recruitment
Base salary	The Committee will typically offer a salary in line with the policy on page 85 whilst also considering the experience, ability to implement Group strategy, and the wider economic climate and pay and conditions throughout the Group, in order to facilitate the hiring of candidates of the appropriate calibre required to implement the Group's strategy.
Benefits	The Committee will offer benefits in line with the policy for existing Executive Directors; however, the Committee has the flexibility to consider other benefits from time to time, including relocation expenses.
Pension	Contribution levels will be set in line with the Company policy for existing Executive Directors.
Bonus	The Committee will offer the ability to earn a bonus in line with the policy on page 86 in line with other Executive Directors of up to 120% of base salary.
LTIPS	The Committee will offer LTIPS in line with the policy on page 87, and in line with other Executive Directors.
Buyouts	The Committee's policy on "buying out" existing incentives granted by the Executive's previous employer will depend on the process of recruitment and be negotiated on a case-by-case basis. The Committee may make an award in order to "buy out" previous incentives but it will only be made if it is considered necessary to attract the right candidate and there will not be a presumption in favour of doing so. The award will in any event be no larger than the award forfeited.
Internal appointees	Any remuneration awards previously granted to an internal appointee to the Board will continue on their original terms. In the same way, if that appointee is accruing benefits in the Henry Boot Defined Benefit Pension Scheme, these will continue as before on membership to the Board and will be reported on in future Remuneration Policy documents.

Directors’ Remuneration Policy continued

Payment for the loss of office policy

The table below sets out the policy on exit payments.

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

Remuneration element

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

Service contracts

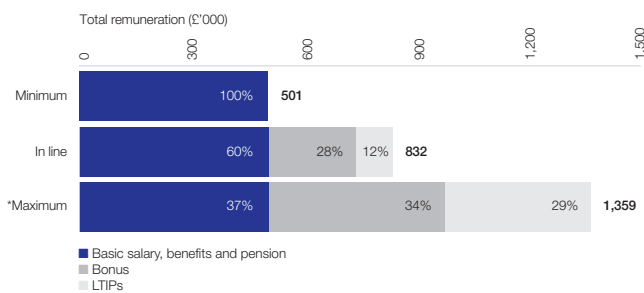
John Sutcliffe and Darren Littlewood each have a one-year rolling service agreement in accordance with our policy on Directors’ contracts. Termination of these arrangements would therefore be subject to their contractual terms and conditions which require a notice period of one year to the Director.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

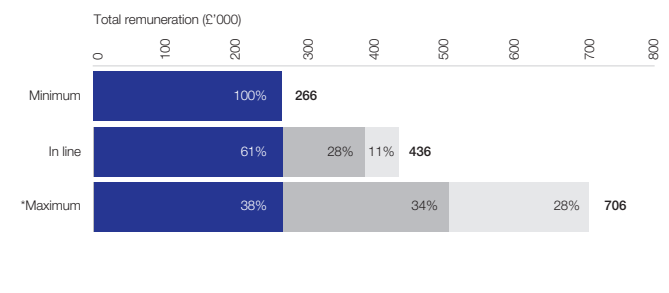
Illustration of the application of the remuneration policy

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

John Sutcliffe



Darren Littlewood



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

	Fixed pay	Bonus	LTIP
Minimum remuneration	Fixed pay consists of basic salary. Pension at 20% of basic salary either as a pension contribution or payment in lieu.	Nil	Nil
Remuneration for performance in line with expectations	Benefits as disclosed in the single figure calculation on page 77.	Assumes 50% of personal targets are achieved (10% of salary) and profit before tax is on target (50% of salary) giving total of 60% of salary.	Achieving the base targets for the LTIP measures of EPS, ROCE and Total Shareholder Return equates to a 25% award under the LTIP Scheme (25% of salary).
Remuneration for maximum performance		Assumes all personal targets are met and profit before tax is equal to or greater than 150% of target which will give rise to a bonus of 120% of salary.	Achieving the most stretching measures under the three LTIP performance measures of EPS, ROCE and Total Shareholder Return equates to a 100% award under the LTIP Scheme (100% of salary).

Policy on external appointments

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

Statement of consideration of employment conditions elsewhere in the Group

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

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

Approved by the Board and signed on its behalf by

JOANNE LAKE
Chairman of the Remuneration Committee
20 April 2018

Directors' Report

The Directors' Report for the financial year ended 31 December 2017 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 2017 is set out on pages 12 to 53.

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 97.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 106. 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 5.20p per ordinary share be paid on 30 May 2018, subject to shareholder approval at the 2018 AGM to be held on 24 May 2018, to ordinary shareholders on the register at the close of business on 27 April 2018. If approved, this, together with the interim dividend of 2.80p per ordinary share paid on 20 October 2017, will make a total dividend of 8.00p per ordinary share for the year ended 31 December 2017. Further details are disclosed in note 10 to the Financial Statements on page 123.

Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 114 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 43.

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 2017 and as at the date of this Annual Report and Financial Statements can be found on pages 58 and 59.

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 2017, are disclosed in the Directors' Remuneration Report on pages 74 to 83.

Between 31 December 2017 and 23 March 2018, 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 74 to 83.

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 24 May 2018 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, pension and benefits 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 and can also be found on pages 84 to 91.

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 empowering 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 engagement increased significantly with 'The Henry Boot Way' Working Groups. You can read more about this on pages 14 and 15.

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 UK 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 49.

Greenhouse gas emissions

The greenhouse gas emissions disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included within the Strategic Report on page 53. This information is incorporated by reference into (and shall be deemed to form part of) this report.

Substantial interests in voting rights

Excluding Directors, as at 23 March 2018, being a date not more than one month prior to the date of the Notice of the AGM, the information in the table below had been disclosed to the Company in accordance with the requirements 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	20,947,155	15.737
The Fulmer Charitable Trust²	5,739,580	4.312
Canaccord Genuity Group Inc³	8,290,725	6.275

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. This is as a result of the acquisition of Hargreave Hale Limited by Canaccord Genuity Group Inc.

Directors' Report continued

Shares held by the Henry Boot PLC Employee Trust

The Company has an established Employee Trust (the Trust) for the benefit of Group employees to satisfy existing grants by the Company under various share-based payment arrangements. Details of the Company's share-based payment arrangements are provided in note 29 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout the whole of 2017 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 2017, 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 12 to 53.

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 12) and authorising the Audit Committee to fix their remuneration (Resolution 13) will be proposed at the AGM.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 97. The Independent Auditors' Report is given on pages 100 to 105.

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 24 May 2018 at 12.30pm. The notice convening the meeting can be found on pages 156 to 160. 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 23 March 2018, the ordinary shares represent 97.08% of the total issued share capital of the Company by nominal value and the preference shares represent 2.92% 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 156 to 160 includes the following resolutions:

- an ordinary resolution (Resolution 14) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,436,786 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 3 April 2018. The authority will expire on 23 August 2019 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 16) 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 £665,517 (approximately 5% of the Company's issued ordinary share capital at 3 April 2018). The authority will expire on 23 August 2019 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 17) to renew the authority of the Company to make market purchases of up to 13,310,358 of its own issued ordinary shares (10% of the Company's issued ordinary share capital at 3 April 2018). 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 24 May 2018 are set out in the Notice of AGM on pages 156 to 160.

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.

Directors' Report continued

Repurchase of shares

Subject to the provisions of the Companies Act 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 Act 2006) 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 Act 2006, 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.

Directors' fees

The Articles provide for directors' fees of up to an aggregate of £250,000 per annum (unless there is an ordinary resolution of the Company determining a larger sum). In order to ensure sufficient flexibility in setting the level of the directors' fees, an ordinary resolution (Resolution 15) will be proposed at the AGM to increase this sum to the larger sum of £350,000 per annum.

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 and Company Secretary
20 April 2018

Statement of Directors' Responsibilities

in respect of the financial statements

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 in Board of Directors, 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 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
20 April 2018

DARREN LITTLEWOOD
Director
20 April 2018



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FINANCIAL STATEMENTS

“At every level a great company to work for. It truly values its people and recognises that we are vital to the continued success of the business”

SIMON GRIFFITHS
Group Property Solicitor

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Independent Auditors' Report

to the members of Henry Boot PLC

Report on the audit of the financial statements

Opinion

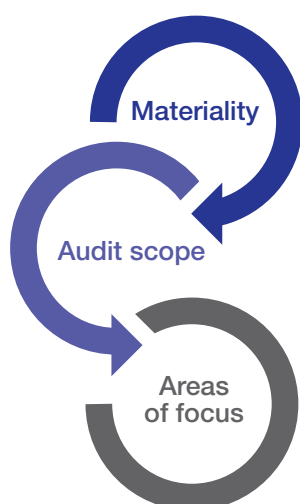
In our opinion, Henry Boot PLC's Group financial statements and Parent Company financial statements (the 'financial statements');

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Parent Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Group and Parent Company Statements of financial position as at 31 December 2017; the Group and Parent Company statement of comprehensive income, the Group and Parent Company Statements of cash flows, and the Group and Parent Company Statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our audit approach

Overview



- Overall Group materiality: £3.5m (2016: £2.9m), based on 0.8% of total assets.
- Overall Parent Company materiality: £1.2m (2016: £1.3m), based on 0.6% of total assets.
- 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 50 reporting units within these three business lines and the Group's centralised functions.
- Of the Group's 50 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 95% of total assets.
- Valuation of investment properties (Group).
- Accuracy and valuation of construction contract balances (Group).
- Completeness and accuracy of land development provision (Group).
- Actuarial assumptions used in accounting for defined benefit pension scheme liabilities (Group).

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Parent Company in the period from 1 January 2017 to 31 December 2017.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, Companies Act 2006. Our tests included, but were not limited to, review of correspondence with legal advisors and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

How our audit addressed the key audit matter

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

Key audit matter

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 misstatement to the financial statements.

How our audit addressed the key audit matter

We evaluated management's revenue and profit recognition on a sample of contracts that we selected based on factors such as risk and magnitude and found that it was consistent with the supporting evidence obtained.

Our work over a sample of contracts included the following:

- Meeting with in-house quantity surveyors to understand the status of contract work and to understand how the cost to complete had been calculated;
- Agreeing key contract details to legal documentation;
- Using computer assisted audit techniques to verify the occurrence of all revenue billed during the year through agreeing amounts certified by third parties to accounts receivable and cash;
- We also checked customer acceptance of the work undertaken, considering the implications of any ongoing disputes which included discussions with the Group legal department;
- Assessing cost to complete schedules for reasonableness, primarily by looking at historical budgeting accuracy; and
- We tested a sample of accruals for contract work undertaken by agreeing them to supporting documentation, including subcontractor applications for payment and invoices.

We tested a sample of provisions for contract work not yet undertaken to reports prepared by in-house quantity surveyors, correspondence with any claimants and testing the outturn on similar amounts previously provided for.

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.

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 the 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.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

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 structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

Materiality

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

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

	Group financial statements	Parent Company financial statements
Overall materiality	£3.5m (2016: £2.9m).	£1.2m (2016: £1.3m).
How we determined it	0.8% of total assets.	0.6% 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.	The key objective of the Parent Company is to hold investments in the various Group companies. As a result, we believe total assets is the primary measure used by the shareholders in assessing the performance of the Parent Company and is therefore the appropriate benchmark to use in setting materiality. This methodology is consistent with that applied in the prior year.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £133,000 and £2,900,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £175,000 (Group audit) (2016: £145,000) and £60,000 (Parent Company audit) (2016: £65,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation

We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Outcome

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

We have nothing to report.

Independent Auditors' Report continued

to the members of Henry Boot PLC

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on pages 40 to 43 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 43 of the Annual Report 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 to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 97, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the 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 obtained in the course of performing our audit.
- The section of the Annual Report on pages 71 to 73 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 97, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 28 May 2010 to audit the financial statements for the year ended 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2010 to 31 December 2017.

ANDY WARD (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
20 April 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	1	408,486	306,806
Cost of sales		(321,758)	(244,496)
Gross profit		86,728	62,310
Other income	1	—	40
Administrative expenses		(22,636)	(17,958)
Pension expenses	4	(4,336)	(3,774)
		59,756	40,618
Decrease in fair value of investment properties	13	(3,597)	(1,783)
Profit on sale of investment properties		137	647
Loss on sale of assets held for sale		(98)	—
Operating profit	3	56,198	39,482
Finance income	5	189	156
Finance costs	6	(1,703)	(1,670)
Share of profit of joint ventures and associates	15	708	1,523
Profit before tax		55,392	39,491
Tax	7	(9,817)	(8,945)
Profit for the year from continuing operations		45,575	30,546
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	(379)	30
Deferred tax on property revaluations	17	50	3
Actuarial gain/(loss) on defined benefit pension scheme	26	2,306	(8,959)
Current tax on actuarial (gain)/loss	7	—	428
Deferred tax on actuarial (gain)/loss	17	(391)	964
Total other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years		1,586	(7,534)
Total comprehensive income for the year		47,161	23,012
Profit for the year attributable to:			
Owners of the Parent Company		42,368	28,259
Non-controlling interests		3,207	2,287
		45,575	30,546
Total comprehensive income attributable to:			
Owners of the Parent Company		43,954	20,725
Non-controlling interests		3,207	2,287
		47,161	23,012
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	32.1p	21.5p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	31.8p	21.3p

Statements of Financial Position

as at 31 December 2017

	Note	Group		Parent Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Assets					
Non-current assets					
Intangible assets	11	5,361	4,909	—	—
Property, plant and equipment	12	26,485	21,967	559	297
Investment properties	13	132,777	123,663	—	—
Investments	14	—	—	23,732	8,488
Investment in joint ventures and associates	15	5,856	5,148	—	—
Trade and other receivables	16	2,906	5,592	—	—
Deferred tax assets	17	4,613	5,249	4,192	4,694
		177,998	166,528	28,483	13,479
Current assets					
Inventories	18	144,603	137,915	—	—
Trade and other receivables	16	93,176	66,921	182,307	191,751
Cash and cash equivalents		10,282	7,389	6,170	2,507
		248,061	212,225	188,477	194,258
Assets classified as held for sale	20	2,000	1,050	—	—
		250,061	213,275	188,477	194,258
Liabilities					
Current liabilities					
Trade and other payables	21	79,429	61,149	72,167	73,689
Current tax liabilities		5,794	4,707	4,884	3,524
Borrowings	24	34,340	33,342	25,123	31,008
Provisions	25	5,602	6,669	—	—
		125,165	105,867	102,174	108,221
Net current assets					
		124,896	107,408	86,303	86,037
Non-current liabilities					
Trade and other payables	21	2,684	4,615	—	—
Borrowings	24	4,922	6,922	—	—
Retirement benefit obligations	26	22,825	26,396	22,825	26,396
Provisions	25	2,387	2,451	—	—
		32,818	40,384	22,825	26,396
Net assets					
		270,076	233,552	91,961	73,120
Equity					
Share capital	29	13,701	13,608	13,701	13,608
Property revaluation reserve	30	3,550	3,879	—	—
Retained earnings	30	245,260	210,664	72,242	54,835
Other reserves	30	6,121	4,611	7,258	5,748
Cost of shares held by ESOP trust	31	(1,240)	(1,071)	(1,240)	(1,071)
Equity attributable to owners of the Parent Company					
		267,392	231,691	91,961	73,120
Non-controlling interests		2,684	1,861	—	—
Total equity					
		270,076	233,552	91,961	73,120

The Parent Company made a profit for the year of £25,425,000 (2016: £21,038,000).

The Financial Statements on pages 106 to 153 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 20 April 2018.

On behalf of the Board

JOHN SUTCLIFFE
Director

DARREN LITTLEWOOD
Director

Statements of Changes in Equity

for the year ended 31 December 2017

Group	Note	Attributable to owners of the Parent Company							Total equity £'000
		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	
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
Profit for the year	30	—	—	42,368	—	—	42,368	3,207	45,575
Other comprehensive income		—	(329)	1,915	—	—	1,586	—	1,586
Total comprehensive income		—	(329)	44,283	—	—	43,954	3,207	47,161
Equity dividends	10	—	—	(9,628)	—	—	(9,628)	(2,384)	(12,012)
Proceeds from shares issued		93	—	—	1,510	—	1,603	—	1,603
Purchase of treasury shares	31	—	—	—	—	(782)	(782)	—	(782)
Share-based payments	30, 31	—	—	(59)	—	613	554	—	554
		93	—	(9,687)	1,510	(169)	(8,253)	(2,384)	(10,637)
At 31 December 2017		13,701	3,550	245,260	6,121	(1,240)	267,392	2,684	270,076

Parent Company	Note	Share capital £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total equity £'000
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
Profit for the year	8	—	25,425	—	—	25,425
Other comprehensive income		—	1,915	—	—	1,915
Total comprehensive income		—	27,340	—	—	27,340
Equity dividends	10	—	(9,628)	—	—	(9,628)
Proceeds from shares issued		93	—	1,510	—	1,603
Purchase of treasury shares	31	—	—	—	(782)	(782)
Share-based payments	30	—	(305)	—	613	308
		93	(9,933)	1,510	(169)	(8,499)
At 31 December 2017		13,701	72,242	7,258	(1,240)	91,961

Statements of Cash Flows

for the year ended 31 December 2017

	Note	Group		Parent Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash flows from operating activities					
Cash generated from/(used by) operations	32	46,338	28,545	(4,446)	(1,889)
Interest paid		(1,463)	(1,141)	(2,760)	(3,154)
Tax paid		(8,620)	(7,405)	(7,251)	(6,370)
Net cash flows from operating activities		36,255	19,999	(14,457)	(11,413)
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	34	(2,711)	—	—	—
Purchase of intangible assets	11	(622)	(606)	—	—
Purchase of property, plant and equipment	12	(3,906)	(1,836)	(426)	(231)
Purchase of investment property	13	(24,081)	(10,181)	—	—
Purchase of investments in joint ventures and associates	15	—	(800)	—	—
Proceeds on disposal of property, plant and equipment		137	492	—	—
Proceeds on disposal of investment properties		2,778	9,430	—	—
Proceeds on disposal of assets held for sale		8,141	—	—	—
Interest received		544	113	17,994	7,495
Dividends received from subsidiaries		—	—	15,244	15,201
Dividends received from joint ventures		—	965	—	—
Net cash flows from investing activities		(19,720)	(2,423)	32,812	22,465
Cash flows from financing activities					
Proceeds from shares issued		1,603	67	1,603	67
Purchase of treasury shares	31	(782)	(959)	(782)	(959)
Decrease in borrowings		(49,965)	(39,128)	(35,000)	(30,000)
Increase in borrowings		47,514	28,421	30,000	20,000
Dividends paid – ordinary shares	10	(9,607)	(8,297)	(9,607)	(8,297)
– non-controlling interests		(2,384)	(2,309)	—	—
– preference shares	10	(21)	(21)	(21)	(21)
Net cash flows from financing activities		(13,642)	(22,226)	(13,807)	(19,210)
Net increase/(decrease) in cash and cash equivalents		2,893	(4,650)	4,548	(8,158)
Net cash and cash equivalents at beginning of year		7,389	12,039	1,499	9,657
Net cash and cash equivalents at end of year		10,282	7,389	6,047	1,499
Analysis of net debt:					
Cash and cash equivalents		10,282	7,389	6,170	2,507
Bank overdrafts	24	—	—	(123)	(1,008)
Net cash and cash equivalents		10,282	7,389	6,047	1,499
Bank loans	24	(30,599)	(32,684)	(25,000)	(30,000)
Finance leases		(2,544)	—	—	—
Government loans	24	(6,119)	(7,580)	—	—
Net debt		(28,980)	(32,875)	(18,953)	(28,501)

Principal Accounting Policies

for the year ended 31 December 2017

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 ('IFRS'), 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 43.

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.

Principal Accounting Policies continued

for the year ended 31 December 2017

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 housebuilding 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 12 months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets classified as held-for-sale within current assets, measured in accordance with the provisions of IAS 40 'Investment Property'.

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 eight 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 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.

Principal Accounting Policies continued

for the year ended 31 December 2017

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 116). 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;

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- 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 116);
 - Borrowings — 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 that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Leases

The cost of assets held under finance leases and hire purchase agreements is capitalised with an equivalent liability categorised as appropriate under current liabilities or non-current liabilities. The asset is depreciated over the shorter of the lease term or its useful life.

Rentals under finance leases and hire purchase agreements are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The finance costs are charged in arriving at profit before tax.

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 140.

Principal Accounting Policies continued

for the year ended 31 December 2017

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 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 111 to 113 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 2017:

		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

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 2017)	'Annual Improvements to IFRSs 2015–2017 Cycle'	1 January 2019*
IAS 19 (amended 2018)	'Plan Amendment, Curtailment or Settlement'	1 January 2019*
IAS 28 (amended 2017)	'Long-term Interests in Associates and Joint Ventures'	1 January 2019*
IAS 40 (amended 2016)	'Transfers of Investment Property'	1 January 2018*
IFRIC 22 (amended 2016)	'Foreign Currency Transactions and Advance Consideration'	1 January 2018*
IFRIC 23 (amended 2017)	'Uncertainty over Income Tax Treatments'	1 January 2019*
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 9 (issued 2017)	'Payment Features with Negative Compensation'	1 January 2019*
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
IFRS 17 (issued 2017)	'Insurance Contracts'	1 January 2021*

* 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.

IFRS15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014 and became effective for accounting periods beginning on or after 1 January 2018. The Group has completed an impact assessment of the new standard and identified the affected areas as being; the separation of performance obligations and contract modifications on construction contracts, the identification of repurchase agreements to be accounted for as financing arrangements and the advanced recognition of contingent consideration (including overage receipts on the Group's land promotion activities). Having reviewed the Groups ongoing contracts the Directors are satisfied that no material adjustments will be required on the initial application of the new standard and that all new contracts will be assessed against the new recognition criteria.

The Directors have also assessed the impact of IFRS 9 'Financial Instruments' and continue to assess the impact of IFRS 16 'Leases' but do not expect either to have a material quantitative effect.

In 2017, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

Notes to the Financial Statements

for the year ended 31 December 2017

1. Revenue

Analysis of the Group's revenue is as follows:

	2017	2016
	£'000	£'000
Activity in the United Kingdom		
Revenue from construction contracts	53,187	55,347
Property development	216,085	147,496
House builder unit sales	24,713	20,109
Land promotion	76,009	51,058
PFI concession income	12,526	11,265
Plant and equipment hire	16,252	12,772
Investment property rental income	8,839	8,250
Other rental income	875	509
	408,486	306,806
Other income	—	40
	408,486	306,846

Contingent rents recognised as income during the year amount to £525,000 (2016: £439,000).

Other income recognised in the prior year 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 sales to a single external customer amounting to 29.7% (2016: 14.7%) of the Group's total revenue. This related to a single high value contract which commenced in the prior 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.

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 110 to 117.

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

	2017					
	Property investment and development	Land promotion	Construction	Group overheads	Eliminations	Total
Revenue	£'000	£'000	£'000	£'000	£'000	£'000
External sales	250,418	76,192	81,876	—	—	408,486
Inter-segment sales	324	—	7,417	646	(8,387)	—
Total revenue	250,742	76,192	89,293	646	(8,387)	408,486
Operating profit/(loss)	30,419	23,169	9,613	(7,003)	—	56,198
Finance income	1,041	1,472	900	17,953	(21,177)	189
Finance costs	(5,950)	(1,567)	(549)	(2,757)	9,120	(1,703)
Share of profit of joint ventures and associates	708	—	—	—	—	708
Profit/(loss) before tax	26,218	23,074	9,964	8,193	(12,057)	55,392
Tax	(5,512)	(4,409)	(1,853)	1,957	—	(9,817)
Profit/(loss) for the year	20,706	18,665	8,111	10,150	(12,057)	45,575
Other information						
Capital additions	26,188	3	8,615	1,055	—	35,861
Depreciation	206	17	3,984	692	—	4,899
Impairment	48	—	203	—	—	251
Amortisation	—	—	870	—	—	870
Decrease in fair value of investment properties	(3,597)	—	—	—	—	(3,597)
Provisions	—	59	1,120	—	—	1,179
Pension scheme credit	—	—	—	(1,249)	—	(1,249)

	2016					
	Property investment and development	Land promotion	Construction	Group overheads	Eliminations	Total
Revenue	£'000	£'000	£'000	£'000	£'000	£'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)

Notes to the Financial Statements continued

for the year ended 31 December 2017

2. Segment information continued

	2017 £'000	2016 £'000
Segment assets		
Property Investment and Development	233,253	195,830
Land Promotion	140,379	136,378
Construction	36,385	32,104
Group overheads	3,147	2,853
	413,164	367,165
Unallocated assets		
Deferred tax assets	4,613	5,249
Cash and cash equivalents	10,282	7,389
Total assets	428,059	379,803
Segment liabilities		
Property Investment and Development	28,847	17,646
Land Promotion	28,146	20,893
Construction	29,750	33,888
Group overheads	3,359	2,457
	90,102	74,884
Unallocated liabilities		
Current tax liabilities	5,794	4,707
Current borrowings	34,340	33,342
Non-current borrowings	4,922	6,922
Retirement benefit obligations	22,825	26,396
Total liabilities	157,983	146,251
Total net assets	270,076	233,552

3. Operating profit

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

	2017 £'000	2016 £'000
Depreciation of property, plant and equipment (note 12)	4,899	4,022
Impairment of goodwill included in administrative expenses (note 11)	203	203
Impairment of land and buildings included in administrative expenses (note 12)	48	—
Amortisation of PFI asset included in cost of sales (note 11)	870	1,251
Amortisation of capitalised letting fees (note 13)	48	36
Loss on sale of assets held for sale	98	—
Impairment losses recognised on trade receivables included in cost of sales	90	61
Impairment losses recognised on trade receivables included in administrative expenses	13	307
Property rentals under operating leases	391	295
Decrease in fair value of investment property (note 13)	3,597	1,783
Cost of inventories recognised as expense	82,772	65,912
Employee costs	30,832	26,098
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	7	7
Profit on sale of property, plant and equipment	(53)	(506)

3. Operating profit continued

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

	2017 £'000	2016 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	95	95
Fees payable to the auditors and their associates for other services: – audit of the Company's associates pursuant to legislation	126	114
Total audit fees	221	209
Other services	4	28
Total non-audit fees	4	28
Total fees	225	237

4. Employee costs

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Wages and salaries	22,747	19,137	3,796	2,690
Share-based payment expense	554	510	308	306
Social security costs	2,993	2,322	659	346
Defined benefit pension costs (see note 26)	2,440	2,464	503	(26)
Defined contribution pension costs (see note 26)	1,730	1,220	207	197
Other pension costs	166	90	10	8
	30,630	25,743	5,483	3,521

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

	2017 Number	2016 Number
Property Investment and Development	78	66
Land Promotion	34	33
Construction	176	172
Plant Hire	142	117
Parent Company	56	53
	486	441

5. Finance income

	2017 £'000	2016 £'000
Interest on bank deposits	10	13
Interest on other loans and receivables	48	(88)
Fair value adjustments on trade receivables	131	231
	189	156

Notes to the Financial Statements continued

for the year ended 31 December 2017

6. Finance costs

	2017 £'000	2016 £'000
Interest on bank loans and overdrafts	1,053	1,097
Interest on other loans and payables	138	128
Fair value adjustments on trade payables	393	387
Fair value adjustments on borrowings	119	56
Provisions: unwinding of discount (note 25)	—	2
	1,703	1,670

7. Tax

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax on profits for the year	10,090	8,927
Adjustments in respect of earlier years	(372)	(23)
Total current tax	9,718	8,904
Deferred tax (note 17):		
Origination and reversal of temporary differences	99	41
Total deferred tax	99	41
Total tax	9,817	8,945

Corporation tax is calculated at 19.25% (2016: 20%) 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% (2016: 17%) being the rate at which timing differences are expected to reverse.

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

	2017 £'000	2016 £'000
Profit before tax	55,392	39,491
	2017 %	2016 %
Tax at the UK corporation tax rate	19.25	20.00
Effects of:		
Permanent differences	(2.01)	3.01
Capital gains	(0.06)	—
Tax losses for which no deferred tax asset is recognised	1.39	0.47
Adjustment in respect of earlier years	(0.60)	(0.06)
Joint venture results reported net of tax	(0.25)	(0.77)
Effective tax rate	17.72	22.65

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

	2017 £'000	2016 £'000
Current tax:		
– actuarial gain	—	428
Deferred tax:		
– property revaluations	50	3
– actuarial (gain)/loss	(391)	964
Total tax recognised in other comprehensive income	(341)	1,395

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 £25,425,000 (2016: £21,038,000) and includes dividends received from subsidiaries of £11,700,000 (2016: £15,201,000).

9. Earnings per ordinary share

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

	2017 £'000	2016 £'000
Profit for the year	45,575	30,546
Non-controlling interests	(3,207)	(2,287)
Preference dividend	(21)	(21)
	42,347	28,238

	2017 £'000	2016 £'000
Weighted average number of shares in issue	132,323,911	132,052,925
Less shares held by the ESOP on which dividends have been waived	(523,597)	(523,606)
Weighted average number for basic earnings per share	131,800,314	131,529,319
Adjustment for the effects of dilutive potential ordinary shares	1,492,317	1,059,602
Weighted average number for diluted earnings per share	133,292,631	132,588,921

10. Dividends

	2017 £'000	2016 £'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 2016 of 4.50p per share (2015: 3.80p)	5,917	5,006
Interim dividend for the year ended 31 December 2017 of 2.80p per share (2016: 2.50p)	3,690	3,291
	9,628	8,318

The proposed final dividend for the year ended 31 December 2017 of 5.20p per share (2016: 4.50p) makes a total dividend for the year of 8.00p (2016: 7.00p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £6,889,000.

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 £2,384,000 (2016: £2,309,000).

Notes to the Financial Statements continued

for the year ended 31 December 2017

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
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
Additions at cost	—	622	622
Acquisition of subsidiary (note 34)	903	—	903
At 31 December 2017	4,973	17,782	22,755
Accumulated impairment losses and amortisation			
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
Amortisation	—	870	870
Impairment losses for the year	203	—	203
At 31 December 2017	2,712	14,682	17,394
Carrying amount			
At 31 December 2017	2,261	3,100	5,361
At 31 December 2016	1,561	3,348	4,909
At 31 December 2015	1,764	3,993	5,757

During the year the Group acquired the entire share capital of Premier Plant Tool Hire & Sales Limited, further information on the acquisition can be found in note 34. The assets and liabilities acquired were immediately hived up into the immediate parent company Banner Plant Limited, which sits in the Construction segment. 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. The cash generating units assessed for impairment are the Leicester depots of Banner Plant Limited which were formerly Premier Plant Tool Hire & Sales Limited only operational sites.

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 eight 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 (2016: £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 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
Additions at cost	1,987	3,444	971	788	7,190
Acquisition of subsidiary (note 34)	—	2,905	119	41	3,065
Disposals	—	(1,645)	(456)	(690)	(2,791)
Transfers to assets held for sale	—	—	—	408	408
Decrease in fair value in year	(379)	—	—	—	(379)
At 31 December 2017	8,442	37,626	5,684	3,830	55,582
Being:					
Cost	—	37,626	5,684	3,830	47,140
Fair value at 31 December 2017	8,442	—	—	—	8,442
	8,442	37,626	5,684	3,830	55,582
Accumulated depreciation and impairment					
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
Charge for year	—	3,549	831	519	4,899
Impairment	48	—	—	—	48
Eliminated on disposals	—	(1,348)	(352)	(272)	(1,972)
At 31 December 2017	342	23,757	2,584	2,414	29,097
Carrying amount					
At 31 December 2017	8,100	13,869	3,100	1,416	26,485
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 31 December 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £459,000 (2016: £73,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2017 by Jones Lang LaSalle Limited and Dove Haigh Phillips LLP in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £8,100,000 (2016: £6,540,000). Jones Lang LaSalle Limited and Dove Haigh Phillips LLP are professional valuers who hold recognised and professional qualifications and have recent experience in the location and category of the land and buildings being valued.

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

On the historical cost basis, the land and buildings would have been included at a carrying amount of £4,550,000 (2016: £2,611,000).

Notes to the Financial Statements continued

for the year ended 31 December 2017

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	2017 £'000	2016 £'000	Increase in fair value in year
Freehold land	—	—	60	60	60	—
Buildings	—	—	8,040	8,040	6,480	1,560
Total fair value	—	—	8,100	8,100	6,540	1,560

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
Yield – improvement by 0.5%	388
Rental value per sq ft – increase by £1 average	1,065

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

12. Property, plant and equipment continued

	Office equipment £'000
Parent Company	
Cost	
At 31 December 2015	789
Additions	231
Disposals	(216)
At 31 December 2016	804
Additions	426
Disposals	(215)
At 31 December 2017	1,015
Depreciation	
At 31 December 2015	621
Charge for year	92
Disposals	(206)
At 31 December 2016	507
Charge for year	162
Disposals	(213)
At 31 December 2017	456
Carrying amount	
At 31 December 2017	559
At 31 December 2016	297
At 31 December 2015	168

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	2017 £'000	2016 £'000	Increase/ (decrease) in fair value in year
Completed investment property						
Industrial	—	—	23,075	23,075	14,700	8,375
Leisure	—	—	11,460	11,460	12,475	(1,015)
Mixed-use	—	—	52,355	52,355	53,564	(1,209)
Residential	—	—	3,600	3,600	3,720	(120)
Office	—	—	12,900	12,900	2,830	10,070
Retail	—	—	23,214	23,214	13,619	9,595
	—	—	126,604	126,604	100,908	25,696
Investment property under construction						
Industrial	—	—	299	299	525	(226)
Land	—	—	1,214	1,214	1,214	—
Office	—	—	—	—	7,556	(7,556)
Retail	—	—	4,660	4,660	13,460	(8,800)
	—	—	6,173	6,173	22,755	(16,582)
Total fair value	—	—	132,777	132,777	123,663	9,114

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

Notes to the Financial Statements continued

for the year ended 31 December 2017

13. Investment properties continued

Explanation of the fair value hierarchy:

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

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

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

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

Class

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

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

Completed investment property

Class	Industrial Level 3	Leisure Level 3	Mixed-use Level 3	Residential Level 3	Office Level 3	Retail Level 3	2017 £'000	2016 £'000
Fair value hierarchy	£'000	£'000	£'000	£'000	£'000	£'000		
Fair value								
At 1 January	14,700	12,475	53,564	3,720	2,830	13,619	100,908	103,694
Subsequent expenditure on investment property	7,318	—	3,400	—	185	10,107	21,010	4,197
Capitalised letting fees	—	—	50	—	—	1	51	46
Amortisation of capitalised letting fees	(1)	(7)	(36)	—	—	(4)	(48)	(35)
Disposals	—	(1,584)	—	(426)	—	—	(2,010)	(8,170)
Transfers to assets held for sale	—	—	(2,000)	—	—	—	(2,000)	(775)
Transfer to inventories	—	—	—	(78)	—	—	(78)	(452)
Transfers from investment property under construction	—	—	—	—	9,334	—	9,334	1,322
Increase/(decrease) in fair value in year	1,058	576	(2,623)	384	551	(509)	(563)	1,081
At 31 December	23,075	11,460	52,355	3,600	12,900	23,214	126,604	100,908
Adjustment in respect of tenant incentives	—	264	1,115	—	—	488	1,867	2,017
Market value at 31 December	23,075	11,724	53,470	3,600	12,900	23,702	128,471	102,925

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 accounting for a period of vacancy, such rents being based on rental income terms that exist in similar properties, adjusted for geographic location and lease terms.

With the exception of the residential class, completed investment property has been revalued at 31 December 2017 by Jones Lang LaSalle Limited or Dove Haigh Phillips LLP in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £124,870,000 (2016: £99,205,000). Jones Lang LaSalle Limited and Dove Haigh Phillips LLP are professional valuers who hold recognised and professional qualifications and have recent experience in the location and category of the 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 2017 has been determined by the Directors of the Company at £3,600,000 (2016: £3,720,000). The fair value takes into account market evidence based on recent comparable sale transactions adjusted to take into account the tenanted nature of the properties.

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

Class	2017					
	Industrial	Leisure	Mixed-use	Residential	Office	Retail
Valuation technique	Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£) – weighted average	3.96	16.01	12.74	–	23.28	19.29
– low	3.39	1.67	2.70	–	19.46	9.09
– high	4.53	40.86	63.39	–	24.97	104.35
Yield %						
– weighted average	5.75	5.67	7.55	–	7.66	4.36
– low	5.11	4.69	5.50	–	7.62	4.53
– high	6.88	7.86	18.87	–	7.75	7.65
% discount applied to houses held under assured tenancies	–	–	–	25.00	–	–
Class	2016					
	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	–	–

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

Notes to the Financial Statements continued

for the year ended 31 December 2017

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 2017 £'000					
	Industrial	Leisure	Mixed-use	Residential	Office	Retail
Yield – improvement by 0.5%	2,079	1,027	3,720	—	796	2,462
Rental value per sq ft – increase by £1 average	6,326	680	3,474	—	559	1,043
Tenancy discount – increase by 1%	—	—	—	46	—	—

	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	—	—

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

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £8,839,000 (2016: £8,250,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £459,000 (2016: £555,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £2,110,000 (2016: £1,103,000).

At 31 December 2017, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £1,141,000 (2016: £2,047,000).

Investment property under construction

Class	Industrial Level 3 £'000	Land Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	2017 £'000	2016 £'000
Fair value						
At 1 January	525	1,214	7,556	13,460	22,755	21,617
Subsequent expenditure on investment property	3	—	1,778	1,239	3,020	5,854
Capitalised letting fees	—	—	—	—	—	84
Amortisation of capitalised letting fees	—	—	—	—	—	(1)
Disposals	(229)	—	—	(413)	(642)	(613)
Transfer to assets held for sale	—	—	—	(6,592)	(6,592)	—
Transfer to inventories	—	—	—	—	—	—
Transfers to completed investment property	—	—	(9,334)	—	(9,334)	(1,322)
Decrease in fair value in year	—	—	—	(3,034)	(3,034)	(2,864)
At 31 December	299	1,214	—	4,660	6,173	22,755
Adjustment in respect of tenant incentives	—	—	—	—	—	—
Market value at 31 December	299	1,214	—	4,660	6,173	22,755

13. Investment properties continued

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

Class	2017			
	Industrial	Land	Office	Retail
Valuation technique	Residual	Sales comparison	Residual	Residual
Rental value per sq ft (£)				
– weighted average	–	–	–	1.69
– low	–	–	–	1.69
– high	–	–	–	1.69
Yield %				
– weighted average	–	–	–	6.01
– low	–	–	–	6.01
– high	–	–	–	6.01
Costs to complete per sq ft (£)				
– weighted average	–	–	–	2.20
– low	–	–	–	2.20
– high	–	–	–	2.20
Land value per acre (£'000)				
– weighted average	111	201	–	–
– low	111	102	–	–
– high	111	1,276	–	–

Class	2016			
	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	–	–

Notes to the Financial Statements continued

for the year ended 31 December 2017

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 2017 £'000			
	Industrial	Land	Office	Retail
Yield – improvement by 0.5%	–	–	–	(135)
Rental value per sq ft – increase by £1 average	–	–	–	2,011
Costs to complete – increase by 1%	–	15	–	16
Land value per acre – increase by 5%	–	204	–	–

	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	–	–

Investment properties under construction are developments which have been valued at 31 December 2017 at fair value by the Directors of the Company using the residual method at £6,173,000 (2016: £22,755,000). 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

	Total £'000
Parent Company – shares in Group undertakings	
Cost	
At 1 January 2016, 31 December 2016 and 31 December 2017	35,772
Fair value adjustments	
At 1 January 2016	(32,751)
Provisions for losses	5,467
At 31 December 2016	(27,284)
Reversal of provisions for losses	15,244
At 31 December 2017	(12,040)
Carrying amount	
At 31 December 2017	23,732
At 1 January 2017	8,488
At 1 January 2016	3,021

The original cost of shares has been reduced by provisions for losses where necessary and enhanced where the Directors have considered it appropriate to reflect 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.

The improved net assets position of Henry Boot Developments in the current year gives rise to the reversal of provisions for losses previously recognised. The impairment reversals are included in the parent company's profit and loss.

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

- Road Link (A69) Holdings Limited which is 61.2% owned by Henry Boot Construction Limited;
- Capitol Park Property Services Limited which is 5% owned by, and under board control of, Henry Boot Developments Limited;
- Stonebridge Homes Limited which is 50% owned by, and under board control of, Henry Boot Land Holdings Limited; and
- Stonebridge Offices Limited which is indirectly 50% owned by, and under board control of, Henry Boot Land Holdings Limited.

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

15. Investment in joint ventures and associates

Group	2017			2016		
	Joint ventures	Associates	Total	Joint ventures	Associates	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January	3,627	1,521	5,148	2,290	1,500	3,790
Share of profit for the year	686	22	708	1,502	21	1,523
Additions	—	—	—	800	—	800
Dividends received	—	—	—	(965)	—	(965)
At 31 December	4,313	1,543	5,856	3,627	1,521	5,148

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

	2017			2016		
	Joint ventures	Associates	Total	Joint ventures	Associates	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment property	6,536	—	6,536	6,187	—	6,187
Current assets	1,515	1,550	3,065	3,409	1,530	4,939
Non-current assets	—	52	52	—	66	66
Total assets	8,051	1,602	9,653	9,596	1,596	11,192
Current liabilities	(438)	(59)	(497)	(2,639)	(75)	(2,714)
Non-current liabilities	(3,300)	—	(3,300)	(3,330)	—	(3,330)
Net investment	4,313	1,543	5,856	3,627	1,521	5,148

	2017			2016		
	Joint ventures	Associates	Total	Joint ventures	Associates	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	5,911	25	5,936	8,097	26	8,123
Administration and other expenses	(5,599)	(3)	(5,602)	(6,504)	(1)	(6,505)
Increase in fair value of investment properties	489	—	489	262	—	262
Operating profit	801	22	823	1,855	25	1,880
Finance costs	(119)	—	(119)	(98)	—	(98)
Profit before tax	682	22	704	1,757	25	1,782
Tax	4	—	4	(255)	(4)	(259)
Share of profits after tax	686	22	708	1,502	21	1,523

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

16. Trade and other receivables

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	90,057	66,392	228	296
Prepayments	5,160	3,487	698	633
Amounts owed by related companies	865	2,634	—	—
Amounts owed by Group undertakings	—	—	181,381	190,822
	96,082	72,513	182,307	191,751
Due within one year	93,176	66,921	182,307	191,751
Due after more than one year	2,906	5,592	—	—
	96,082	72,513	182,307	191,751

Included in the Group's trade receivables balance are receivables with a carrying amount of £5.7m (2016: £5.1m) 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.

Notes to the Financial Statements continued

for the year ended 31 December 2017

16. Trade and other receivables continued

Ageing of past due but not impaired trade receivables

	2017	2016
	£'000	£'000
30–60 days	4,670	4,145
60–90 days	518	230
90–120 days	163	515
120+ days	347	247
	5,698	5,137

Movement in the allowance for doubtful receivables

	2017	2016
	£'000	£'000
At 1 January	648	303
Impairment losses recognised	103	368
Amounts written off as uncollectable	(217)	(21)
Amounts recovered during the year	(43)	(2)
At 31 December	491	648

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

	2017	2016
	£'000	£'000
0–30 days	24	46
30–60 days	6	4
60–90 days	7	4
90–120 days	22	34
120+ days	432	560
	491	648

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 £2,313,000 (2016: £2,390,000), of which £3,000 (2016: £3,000) has been provided in the year and £80,000 (2016: £1,861,000) has been recovered in the year.

The Parent Company has no impaired trade receivables.

Credit risk

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and 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:

	Accelerated capital allowances	Property revaluations	Retirement benefit obligations	Other timing differences	Total
	£'000	£'000	£'000	£'000	£'000
Group					
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
Recognised in income	66	(50)	(217)	102	(99)
Recognised in other comprehensive income	—	50	(391)	—	(341)
Acquisition of subsidiary (note 34)	(196)	—	—	—	(196)
At 31 December 2017	492	—	3,879	242	4,613
Parent Company					
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
Recognised in income	1	—	(217)	105	(111)
Recognised in other comprehensive income	—	—	(391)	—	(391)
At 31 December 2017	29	—	3,879	284	4,192

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 £3,208,000 (2016: £2,670,000). 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% (2016: 17%) being the rate at which timing differences are expected to reverse.

18. Inventories

	2017 £'000	2016 £'000
Property developments in progress	20,281	16,963
House builder land and work in progress	22,640	13,065
Land held for development or sale	57,815	70,087
Options to purchase land	12,488	10,664
Planning promotion agreements	31,379	27,136
	144,603	137,915

Within property developments in progress £619,000 (2016: £294,000) 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 £1,350,000 (2016: £2,923,000) has been written down and recognised as an expense in the year. These costs relate to land, options and planning promotion agreements where planning permission for development has been refused or is deemed to be doubtful.

Notes to the Financial Statements continued

for the year ended 31 December 2017

19. Construction contracts

	2017 £'000	2016 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in trade receivables	30,932	17,638
Amounts due to contract customers included in trade payables	(3,225)	(4,656)
	27,707	12,982
Contract costs incurred plus recognised profits less recognised losses to date	630,207	490,693
Less: progress billings	(602,500)	(477,711)
	27,707	12,982

At 31 December 2017, retentions held by customers for contract work amounted to £1,838,000 (2016: £1,614,000). Advances received from customers for contract work amounted to £3,225,000 (2016: £4,656,000).

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	
	2017 £'000	2016 £'000
Fair value		
At 1 January	1,050	—
Transfer from investment property (note 13)	2,000	775
Transfer from property, plant and equipment (note 12)	—	275
Disposals	(1,050)	—
At 31 December	2,000	1,050
Adjustment in respect of tenant incentives	—	—
Market value at 31 December	2,000	1,050

Assets classified as held for sale have been valued at 31 December 2017 at fair value by the Directors of the Company at £2,000,000 (2016: £1,050,000).

21. Trade and other payables

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	71,858	54,077	1,998	1,340
Social security and other taxes	3,075	3,263	526	333
Accrued expenses	1,713	1,368	796	773
Deferred income	5,308	7,010	—	—
Amounts owed to related parties	159	46	—	—
Amounts owed to Group undertakings	—	—	68,847	71,243
	82,113	65,764	72,167	73,689
Due within one year	79,429	61,149	72,167	73,689
Due after more than one year	2,684	4,615	—	—
	82,113	65,764	72,167	73,689

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 £nil (2016: £18,000).

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 2017 this was £29.0m (2016: £32.9m). Equity comprises all components of equity and at 31 December 2017 this was £270.1m (2016: £233.6m).

During 2017 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 a further year to 17 February 2020 and on 22 August 2017 we agreed an amendment to increase the facility to £72m. The renewed facilities, on improved terms, maintain covenants on the same basis as the previous facilities.

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

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

Notes to the Financial Statements continued

for the year ended 31 December 2017

24. Borrowings

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank overdrafts	—	—	123	1,008
Bank loans	30,599	32,684	25,000	30,000
Finance leases	2,544	—	—	—
Government loans	6,119	7,580	—	—
	39,262	40,264	25,123	31,008
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	34,786	33,648	25,123	31,008
In the second year	3,055	4,323	—	—
In the third to fifth years inclusive	2,198	2,967	—	—
	40,039	40,938	25,123	31,008
Due within one year	34,786	33,648	25,123	31,008
Due after one year	5,253	7,290	—	—
	40,039	40,938	25,123	31,008

The weighted average interest rates paid were as follows:

	2017 %	2016 %
Bank overdrafts	2.10	2.42
Bank loans – floating rate	1.94	2.12
Bank loans – floating rate (relating to Stonebridge Offices Limited)	2.83	2.97
Bank loans – floating rate (relating to Stonebridge Homes Limited)	2.29	2.38
Finance leases	3.00	—
Government loans	1.48	2.37

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 Homes Limited.

The Stonebridge Offices Limited bank loan is secured by a specific charge over the freehold property of that company and is without recourse to the rest of the Group. The loan was renewed on 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 Homes Limited revolving loan facility is secured by a specific charge over the freehold property of that company and is guaranteed by Henry Boot PLC. The loan can be drawn against on a monthly basis and was first drawn against on 22 April 2016. The loan is repayable from the proceeds of residential house sales with full and final settlement becoming due on 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 £1,755,000 (2016: £2,381,000) and £319,000 (2016: £319,000) respectively.

24. Borrowings continued

Government loans from the Homes and Communities Agency (HCA) were issued with a fixed level of interest of £353,000 (2016: £398,000); their fair values are £3,285,000 (2016: £3,760,000) (Education Campus) and £760,000 (2016: £1,120,000) (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 (2016: £300,000) were made during the year. The repayments are calculated at £8,000 per residential unit, are linked to the Land Registry House Price Index and are subject to certain minimum repayment amounts.

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

Repayment of the Education Campus HCA loan 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 £474,279 (2016: £446,056) 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 £363,027 (2016: £354,808) 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 2017, a 1.0% (2016: 1.0%) change in interest rates, which the Directors consider to be a reasonably possible change, would affect profitability before tax by £347,000 (2016: £406,000).

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

At 31 December 2017, the Group had available £47,000,000 (2016: £32,500,000) undrawn committed borrowing facilities.

Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2017 £'000	2016 £'000
Gross finance lease liabilities – minimum lease payments:		
No later than one year	962	—
Later than one year and no later than five years	1,378	—
	2,340	—
Future finance charges on finance lease liabilities	204	—
Present value of finance lease liabilities	2,544	—

Notes to the Financial Statements continued

for the year ended 31 December 2017

24. Borrowings continued

The present value of finance lease liabilities is as follows:

	2017 £'000	2016 £'000
No later than one year	1,066	—
Later than one year and no later than five years	1,478	—
	2,544	—

The carrying amount of the Group's lease obligations approximates to their fair value.

25. Provisions

	Land promotion £'000	Road maintenance £'000	Total £'000
At 31 December 2016			
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
Additional provisions in year	424	1,120	1,544
Unwinding of discount	—	—	—
Utilisation of provisions	(1,930)	(745)	(2,675)
At 31 December 2017	6,278	1,711	7,989
Included in current liabilities	3,891	1,711	5,602
Included in non-current liabilities	2,387	—	2,387
	6,278	1,711	7,989

The land promotion provision represents management's best estimate of the Group's liability to provide infrastructure and service obligations, which remain with the Group following the disposal of land. The provision is calculated using the present value of the estimated cash flows required to settle the present obligations, pro rata on an acreage allocation basis where disposals occur over a number of phases, such that provisions are only made in relation to the land which has been disposed of. Based on a 1.0% change in the discount rate and a 5.0% change in the estimated cash outflows, both of which the Directors consider to be a reasonably possible change, land promotion provisions would change and affect profitability before tax by £88,000 and £304,000 respectively (2016: £93,000 and £379,000).

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

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset. Based on a 5.0% change in the estimated cash outflows, which the Directors consider to be a reasonably possible change, the road maintenance provision would change and affect profitability before tax by £157,000 (2016: £129,000).

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.

25. Provisions continued

Off balance sheet arrangements

The Group is currently undertaking the infrastructure of land promotions at Bridgwater and Cranbrook, spanning 122 and 53 acres respectively (2016: 122 and 53). The Group is liable for various planning and infrastructure obligations required to be met under section agreements imposed by the local Councils. The Group shares its planning and infrastructure obligations relating to the Cranbrook site with two other parties, the Group's share being 30%. These shared obligations are secured by performance bonds and legal charges. The Group deems the possibility of default by the other parties as highly remote. The infrastructure of these developments is anticipated to continue until 2020 and 2025 respectively, with costs being incurred throughout these periods.

The Group has historically disposed of 105 and 24 acres respectively (2016: 94 and 24), and has subsequently recognised provisions to the value of £6,278,000 (2016: £7,783,000), 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 £4,434,932 (2016: £5,885,000), 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% (2016: 4%) 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 £1,730,000 (2016: £1,220,000) 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.

Notes to the Financial Statements continued

for the year ended 31 December 2017

26. Retirement benefit obligations continued

Longevity risk

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

A formal actuarial valuation was carried out as at 31 December 2015. The results of that valuation have been projected to 31 December 2017 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:

	2017	2016
	%	%
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	2.00
Revaluation of deferred pensions	2.00	2.00
Liabilities discount rate	2.50	2.80
	2017	2016
	Years	Years
Mortality assumptions		
Retiring today (aged 65)		
Male	22.1	22.1
Female	24.1	24.2
Retiring in 20 years (currently aged 45)		
Male	23.2	23.4
Female	25.3	25.7

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 4.1%	Increase by 4.3%
Rate of mortality	1 year	Increase by 4.1%	Decrease by 3.9%

* 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.

26. Retirement benefit obligations continued

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

	2017 £'000	2016 £'000
Service cost:		
Current service cost	1,065	1,112
Ongoing scheme expenses	507	493
Net interest expense	712	691
Pension Protection Fund	156	168
Pension expenses recognised in profit or loss	2,440	2,464
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(9,831)	(12,528)
Actuarial (gains)/losses arising from changes in demographic assumptions	(1,733)	1,590
Actuarial losses arising from changes in financial assumptions	9,258	22,972
Actuarial gains arising from experience adjustments	—	(3,077)
Actuarial (gains)/losses recognised in other comprehensive income	(2,306)	8,959
Total	134	11,422

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

	2017 £'000	2016 £'000
Present value of scheme obligations	197,365	190,974
Fair value of scheme assets	(174,540)	(164,578)
	22,825	26,396

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

	2017 £'000	2016 £'000
Non-current liabilities	22,825	26,396

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

	2017 £'000	2016 £'000
At 1 January	190,974	170,214
Current service cost	1,065	1,112
Interest on obligation	5,259	6,336
Contributions from scheme members	1	2
Actuarial losses	7,525	21,486
Benefits paid	(7,459)	(8,176)
At 31 December	197,365	190,974

Notes to the Financial Statements continued

for the year ended 31 December 2017

26. Retirement benefit obligations continued

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

	2017 £'000	2016 £'000
At 1 January	164,578	150,637
Interest income	4,547	5,645
Actuarial gains on scheme assets	9,831	12,528
Employer contributions	3,549	4,435
Contributions from scheme members	1	2
Benefits paid	(7,459)	(8,176)
Ongoing scheme expenses	(507)	(493)
At 31 December	174,540	164,578

The categories of plan assets are as follows:

	2017 £'000	2016 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	44,675	40,207
Synthetic equity	13,297	11,093
Diversified growth funds	34,475	38,559
Corporate bonds	—	20,127
Diversified credit funds	37,377	26,487
Cash and net current assets	903	5,238
Unquoted investments:		
Direct lending	19,833	10,835
Collateralised loan obligations	22,301	12,032
Special situations	1,679	—
At 31 December	174,540	164,578

Included in equities are nil (2016: 670,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £nil (2016: £1,350,050).

The weighted average duration of the defined benefit obligation is 16.3 years (2016: 16.6 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2018 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

	2017 £'000	2016 £'000
Minimum lease payments under operating leases recognised in the Consolidated Statement of Comprehensive Income for the year	391	295

At 31 December 2017, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 £'000	2016 £'000
Within one year	350	299
In the second to fifth years inclusive	1,157	879
After five years	635	578
	2,142	1,756

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

The Group as lessor

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

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

	2017 £'000	2016 £'000
Within one year	8,140	7,458
In the second to fifth years inclusive	28,758	27,814
After five years	84,349	73,314
	121,247	108,586

28. Related party transactions

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

	2017 £'000	2016 £'000
Parent Company		
Management charges receivable	1,140	1,140
Interest receivable	6,282	7,481
Interest payable	(1,911)	(2,215)
Rents payable	(155)	(154)
Recharge of expenses	459	116

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

	2017 £'000	2016 £'000
Purchases of goods and services		
Close family members of key management personnel (amounts paid for IT services)	39	44
Related companies of key management personnel (amounts paid for Non-executive Director services)	44	42

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.

Notes to the Financial Statements continued

for the year ended 31 December 2017

28. Related party transactions continued

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 58 to 60. They are responsible for making all of the strategic decisions of the Group and its subsidiaries, as detailed on page 2 and 11. The remuneration of the Board of Directors is set out in the Remuneration Report on pages 74 to 91. The remuneration of the relevant four (2016: 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'.

	2017 £'000	2016 £'000
Short-term employee benefits	1,660	1,228
Post-employment benefits	27	32
	1,687	1,260

29. Share capital

	Allotted, issued and fully paid	
	2017 £'000	2016 £'000
400,000 5.25% cumulative preference shares of £1 each (2016: 400,000)	400	400
133,010,911 ordinary shares of 10p each (2016: 132,080,138)	13,301	13,208
	13,701	13,608

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% and on 24 October 2017 at a price of 270.0p at a discount of 10%. These become exercisable for a six-month period from 1 December 2017 and 1 December 2020 respectively. There are no performance criteria attached to the exercise of these options which are normally capable of exercise up to six months after the third anniversary of the Sharesave contract commencement date. The right to exercise options terminates if a participating employee leaves the Group, subject to certain exceptions.

	Options outstanding at 31 December 2016	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2017
October 2014 grant	950,185	—	(19,721)	(824,773)	105,691
October 2017 grant	—	968,013	(6,665)	—	961,348

The weighted average share price at the date of exercise for share options exercised during the year was 299.98p (2016: 196.82p).

(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.

29. Share capital continued

(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:

	2017 Number	2016 Number
Share options granted at 1 January	881,481	903,060
Lapses of share options in year	(148,194)	(205,389)
Awards of shares in year	(295,475)	(113,714)
Share options granted in year	584,836	297,524
Share options granted at 31 December	1,022,648	881,481

The weighted average share price at the date of exercise for share options exercised during the year was 295.02p (2016: 197.50p).

(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. The third grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 6 October 2017 at an option price of 298.9p. There were no performance conditions imposed on either of these grants.

	Options outstanding at 31 December 2016	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2017
May 2011 grant	42,000	—	—	(26,000)	16,000
October 2014 grant	145,000	—	—	(80,000)	65,000
October 2017 grant	—	149,747	—	—	149,747

The weighted average share price at the date of exercise for share options exercised during the year was 291.08 (2016: nil).

Fair value

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

	LTIP	CSOP 2011 grant	CSOP 2014 grant	Sharesave 2014	CSOP 2017	Sharesave 2017
Weighted average exercise price	Nil	121.5p	191.0p	172.0p	298.9	270.0
Weighted average share price	225.6p	121.5p	191.0p	181.0p	309.0	300.0
Expected volatility	30.72% to 32.10%	41.47%	31.17%	31.45%	30.37	30.30
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Risk-free rate	0.14% to 1.26%	1.67%	1.23%	0.82%	0.51%	0.51%
Expected dividend yield	2.71% to 3.16%	5.02%	3.16%	3.16%	3.02%	3.02%

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

The weighted average fair value of share options granted during the year was 76.90p (2016: 97.69p).

Notes to the Financial Statements continued

for the year ended 31 December 2017

29. Share capital continued

Expense recognised in the Consolidated Statement of Comprehensive Income

	2017 £'000	2016 £'000
The total expense recognised in the Consolidated Statement of Comprehensive Income arising from share-based payment transactions	554	510

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

30. Reserves

Group	Property revaluation £'000	Retained earnings £'000	Other			Total other £'000
			Capital redemption £'000	Share premium £'000	Capital £'000	
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
Profit for the year	—	42,368	—	—	—	—
Dividends paid	—	(9,628)	—	—	—	—
Premium arising from shares issued	—	—	—	1,510	—	1,510
Decrease in fair value in year	(379)	—	—	—	—	—
Deferred tax on revaluation surplus	50	—	—	—	—	—
Arising on employee share schemes	—	(59)	—	—	—	—
Unrecognised actuarial gain	—	2,306	—	—	—	—
Deferred tax on actuarial gain	—	(391)	—	—	—	—
At 31 December 2017	3,550	245,260	271	5,641	209	6,121

30. Reserves continued

	Retained earnings	Other			Total other
		Capital redemption	Share premium	Investment revaluation	
	£'000	£'000	£'000	£'000	£'000
Parent Company					
At 31 December 2015	49,608	271	4,068	211	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	5,748
Profit for the year	25,425	—	—	—	—
Dividends paid	(9,628)	—	—	—	—
Premium arising from shares issued	—	—	1,510	—	1,510
Arising on employee share schemes	(305)	—	—	—	—
Unrecognised actuarial gain	2,306	—	—	—	—
Deferred tax on actuarial gain	(391)	—	—	—	—
At 31 December 2017	72,242	271	5,641	211	7,258

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.

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.

Notes to the Financial Statements continued

for the year ended 31 December 2017

31. Cost of shares held by the ESOP trust

	2017 £'000	2016 £'000
At 1 January	1,071	345
Additions	782	959
Disposals	(613)	(233)
At 31 December	1,240	1,071

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 2017, the Trustee held 523,597 shares (2016: 523,606 shares) with a cost of £1,240,416 (2016: £1,071,330) and a market value of £1,670,276 (2016: £1,055,066). 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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Profit before tax	55,392	39,491	23,452	22,191
Adjustments for:				
Amortisation of PFI asset	11 870	1,251	—	—
Goodwill impairment	11 204	203	—	—
Depreciation of property, plant and equipment	12 4,899	4,022	162	92
Impairment of land and buildings	12 48	—	—	—
Revaluation decrease in investment properties	13 3,597	1,783	—	—
Amortisation of capitalised letting fees	3 48	36	—	—
Share-based payment expense	4 554	510	307	307
Pension scheme credit	(1,265)	(2,140)	(1,265)	(2,140)
Movements on provision against investments in subsidiaries	14 —	—	(15,244)	(5,467)
Movements on provision against loans to subsidiaries	—	—	(77)	(1,858)
Loss on disposal of assets held for sale	3 98	—	—	—
(Gain)/loss on disposal of property, plant and equipment	3 (380)	(506)	2	10
Gain on disposal of investment properties	(127)	(647)	—	—
Finance income	5 (189)	(156)	(33,238)	(22,695)
Finance costs	6 1,703	1,670	2,757	3,145
Share of profit of joint ventures and associates	15 (708)	(1,523)	—	—
Operating cash flows before movements in equipment held for hire	64,744	43,994	(23,144)	(6,415)
Purchase of equipment held for hire	12 (3,283)	(4,048)	—	—
Proceeds on disposal of equipment held for hire	654	648	—	—
Operating cash flows before movements in working capital	62,115	40,594	(23,144)	(6,415)
(Increase)/decrease in inventories	(6,500)	1,478	—	—
(Increase)/decrease in receivables	(22,975)	(7,515)	20,247	14,242
Increase/(decrease) in payables	13,698	(6,012)	(1,549)	(9,716)
Cash generated from/(used by) operations	46,338	28,545	(4,446)	(1,889)

33. Guarantees and contingencies

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

The Parent Company has given cross guarantees to certain of the Group's bankers and bondsmen in respect of facilities available to Group undertakings in the normal course of business. Guarantees relating to bonds are impracticable to quantify.

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

34. Business combinations

On 1 April 2017 the Group acquired 100% of the share capital of Premier Plant Tool Hire & Sales Limited for consideration of £2,800,000.

Premier Plant Tool Hire & Sales Limited will trade under the Banner brand and will increase Banner's presence in the East Midlands market. The goodwill arising on acquisition is attributable to the acquired customer base and economies of scale expected from the combined operations. None of the goodwill is expected to be deductible for corporation tax purposes.

The following table summarises the consideration paid for Premier Plant Tool Hire & Sales Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	2017 £'000
Business combinations	
Consideration paid 1 April 2017	
Cash	2,400
Deferred consideration paid 23 June 2017	
Cash	400
	2,800
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	89
Property, plant and equipment	3,065
Inventories	4
Trade and other receivables	948
Trade and other payables	(2,013)
Provisions for liabilities	(196)
Total identifiable net assets	1,897
Goodwill	903
Total	2,800

Acquisition-related costs of £113,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2017.

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

The revenue included in the consolidated statement of comprehensive income for the year ended 31 December 2017 was £2,668,000. Premier Plant Tool Hire & Sales Limited also contributed profit before tax of £233,000 over the same period.

Had Premier Plant Tool Hire & Sales Limited been consolidated from 1 January 2017, the consolidated statement of comprehensive income would show pro-forma revenue of £3,559,000 and profit before tax of £311,000.

Notes to the Financial Statements continued

for the year ended 31 December 2017

35. Additional information – subsidiaries, joint ventures and associates

Details of the Company's subsidiaries, joint ventures and associates, all of which are incorporated in England (unless otherwise stated) and are consolidated in the Group Financial Statements at 31 December 2017, 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
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 Estates Limited	100%	Direct	Property investment
Henry Boot Investments 1 Limited	100%	Indirect	Property development
Henry Boot Inner City Limited	100%	Direct	Inactive
Henry Boot 'K' Limited	100%	Indirect	Property investment and development
Henry Boot Land Holdings Limited	100%	Direct	Land promotion
Henry Boot (Launceston) Limited	100%	Direct	Land promotion
Henry Boot Leasing Limited	100%	Direct	Motor vehicle leasing to Group companies
Henry Boot (Manchester) Limited	100%	Direct	Property development
Henry Boot Nottingham Limited	100%	Indirect	Inactive
Henry Boot Projects Limited	100%	Direct	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 Limited	100%	Indirect	Property investment
Marboot Centregate 2 Limited	100%	Indirect	Inactive
Moore Street Securities Limited	100%	Direct	Employee benefit trust
Northfields Rotherham Management Company Limited	100%	Indirect	Management company
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 Offices Limited	50%	Indirect	Property investment and development
Stonebridge Homes Limited	50%	Indirect	Property development
The Residence (York) Management Company Limited	100%	Indirect	Management company
Victoria Gardens (Headingley) Management Company Limited	100%	Indirect	Management company
Winter Ground Limited	100%	Indirect	Property investment and development
Woodside Park Newlay Estate Management Limited	100%	Indirect	Management company

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

Joint ventures and associates	Proportion of ownership	Direct or indirect	Activity
Aytoun Street Developments Limited	50%	Indirect	Property development
Bigmouth Manchester Limited	50%	Indirect	Property development
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

The address of the registered office of all subsidiaries is the same as the parent company, with the exception of:

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

Woodside Park Newlay Estate Management Company Limited, Fox Valley Management Company Limited and Victoria Gardens (Headingley) Management Company Limited whose registered office is 1 Featherbank Court, Horsforth, Leeds, LS18 4QF.

Henry Boot Barnfield Limited whose registered office is 8 Kenyon Road, Lomeshaye Industrial Estate, Nelson, Lancashire, England, BB9 5SP.

Kampus Holdings Sarl whose registered office is 2, rue Albert Borschette, L-1246 Luxembourg.

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

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



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SHAREHOLDER INFORMATION

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ADAM PASCALE
Plant/Yard Maintenance

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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 24 May 2018 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 2017.

Resolution 2

To declare a final dividend of 5.20p per ordinary share.

Resolution 3

To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 December 2017.

Resolution 4

To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 December 2017.

Resolution 5

To reappoint Jamie Boot as a Director of the Company.

Resolution 6

To reappoint John Sutcliffe as a Director of the Company.

Resolution 7

To reappoint Darren Littlewood as a Director of the Company.

Resolution 8

To reappoint Joanne Lake as a Director of the Company.

Resolution 9

To reappoint James Sykes as a Director of the Company.

Resolution 10

To reappoint Peter Mawson as a Director of the Company.

Resolution 11

To reappoint Gerald Jennings as a Director of the Company.

Resolution 12

To reappoint PricewaterhouseCoopers LLP as auditors of the Company.

Resolution 13

To authorise the Audit Committee to fix the auditors' remuneration.

Resolution 14

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 £4,436,786, provided that (unless previously revoked, varied or renewed) this authority shall expire on 23 August 2019 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).

Resolution 15

THAT the sum of not exceeding in aggregate £250,000 per annum ('Original Sum') set out in article 80 of the articles of association of the Company ('Articles') as payable to the Directors (other than any Director who for the time being holds an executive office or employment with the Company or a subsidiary of the Company) by way of remuneration for their services as Directors be and is increased to the sum of not exceeding in aggregate £350,000 per annum (and which such larger sum is treated as being in substitution in article 80 of the Articles for the Original Sum in all respects).

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

Resolution 16

THAT subject to the passing of Resolution 14 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 14 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 £665,517,

and (unless previously revoked, varied or renewed) this power shall expire on 23 August 2019 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).

Notice of Annual General Meeting continued

Resolution 17

THAT pursuant to Section 701 of the Companies Act 2006, the Company be and 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 13,310,358;
- 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 23 August 2019; 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

RUSSELL DEARDS
Company Secretary
20 April 2018

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 22 May 2018 (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.
4. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

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

A proxy may only be appointed in accordance with the procedures set out in notes 5 to 7 below and the notes to the form of proxy. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

-
5. A form of proxy is enclosed with the notice issued to holders of ordinary shares. When appointing more than one proxy, complete a separate form of proxy in relation to each appointment. Additional forms of proxy may be obtained by photocopying the form of proxy. State clearly on each form of proxy the number of shares in relation to which the proxy is appointed.

To be valid, a form of proxy must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 12.30pm on 22 May 2018 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

6. As an alternative to completing the hard copy form of proxy, a shareholder may appoint a proxy or proxies electronically using the online service at www.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 22 May 2018 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
7. CREST members who wish to appoint a proxy or proxies for the AGM (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which is available at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID: 3RA50) no later than 12.30pm on 22 May 2018 (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.

8. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.
9. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Companies Act 2006 (Nominated Person):
 - a. the Nominated Person may have a right under an agreement between him/her and the shareholder by whom he/she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting; or
 - b. if the Nominated Person has no such right or does not wish to exercise such right, he/she may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

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

Notice of Annual General Meeting continued

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

Any such request must:

- a. identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement that is being supported;
- b. comply with the requirements set out in note 11 below; and
- c. be received by the Company at least one week before the meeting.

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

- i. it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;
- ii. it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and
- iii. the statement may be dealt with as part of the business of the meeting.

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

- a. may be made either:
 - i. in hard copy, by sending it to the Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD; or
 - ii. in electronic form, by sending it by email to cosec-ir@henryboot.co.uk. Please state 'Henry Boot PLC: AGM' in the subject line of the email;
- b. must state the full name(s) and address(es) of the shareholder(s); and
- c. where the request is made in hard copy form, it must be signed by the shareholder(s).

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

- a. to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;
- b. the answer has already been given on a website in the form of an answer to a question; or
- c. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

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

www.henryboot.co.uk

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

- a. telephone 0114 255 5444; or
- b. email cosec-ir@henryboot.co.uk.

No other methods of communication will be accepted.

15. As at 3 April 2018 (being the last practicable date before publication of this notice), the Company's issued ordinary share capital was 133,103,587 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 2017:

23 March 2018

Interim Results 2018:

24 August 2018

Pre-close Trading Statement 2018:

end January 2019

Annual Report and Financial Statements

Annual Report and Financial Statements 2017 (Available and online):

by 20 April 2018

Annual General Meeting

24 May 2018

Dividends Paid on Ordinary Shares

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

30 May 2018

2018 Interim dividend date (Subject to approval):

19 October 2018

Advisers

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds LS1 4DL

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

Solicitors – Corporate

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

Solicitors – 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

Birmingham, Bristol, Glasgow, London and Manchester

Stonebridge Homes 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, Leicester, 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

Our Group Locations

NATIONAL COVERAGE

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

■ Head Office

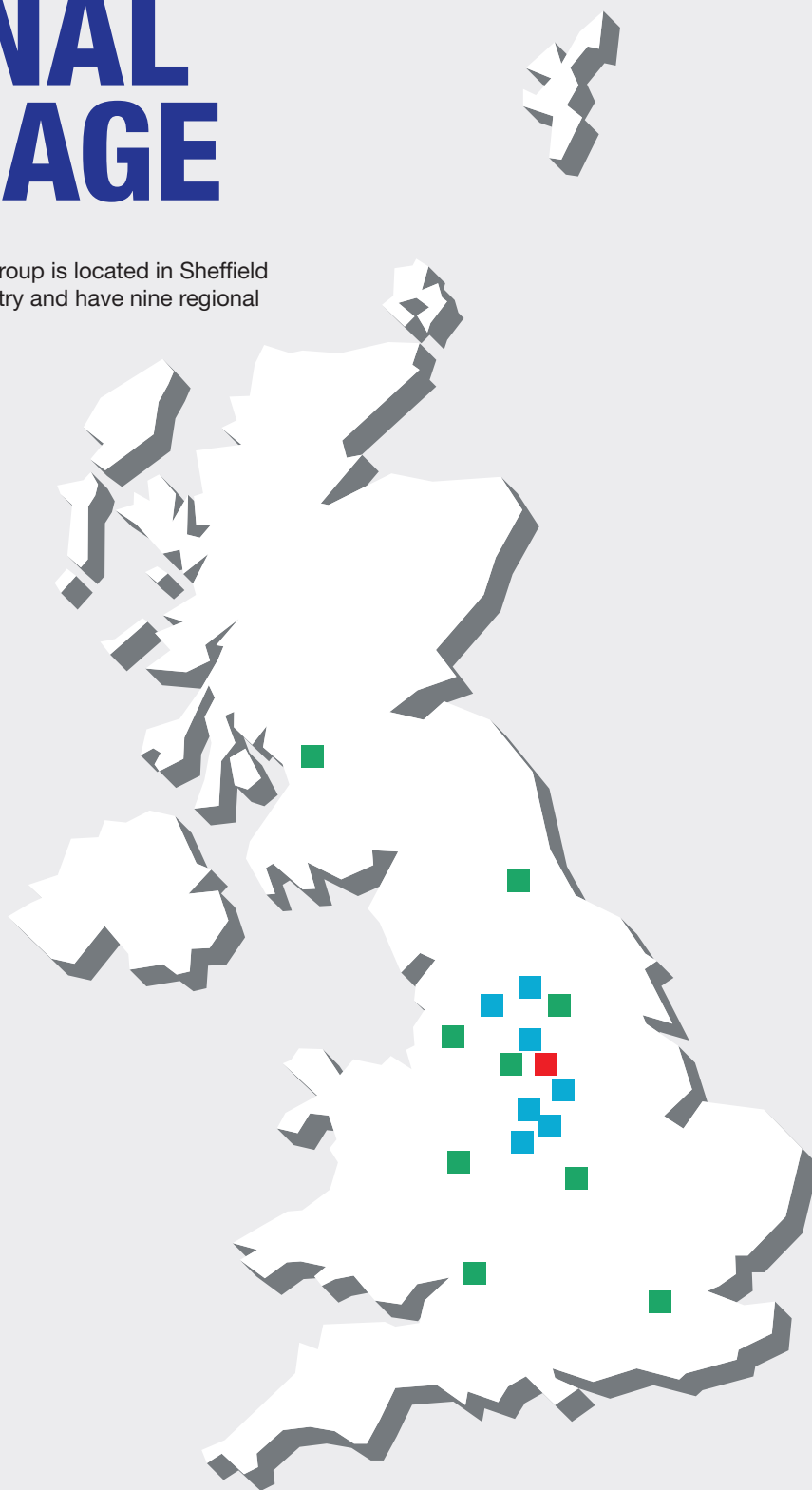
Sheffield

■ Offices

Birmingham
Bristol
Dronfield
Glasgow
Leeds
London
Manchester
Northampton
Stocksfield

■ Hire Centres

Chesterfield
Dronfield
Derby
Leeds
Leicester
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 as adopted by the European Union.

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.

S106

Section 106 agreements (S106) are private agreements made between local authorities and developers. It can be attached to a planning permission to make acceptable development which would otherwise be unacceptable in planning terms.

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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jonesandpalmer.co.uk

Henry Boot

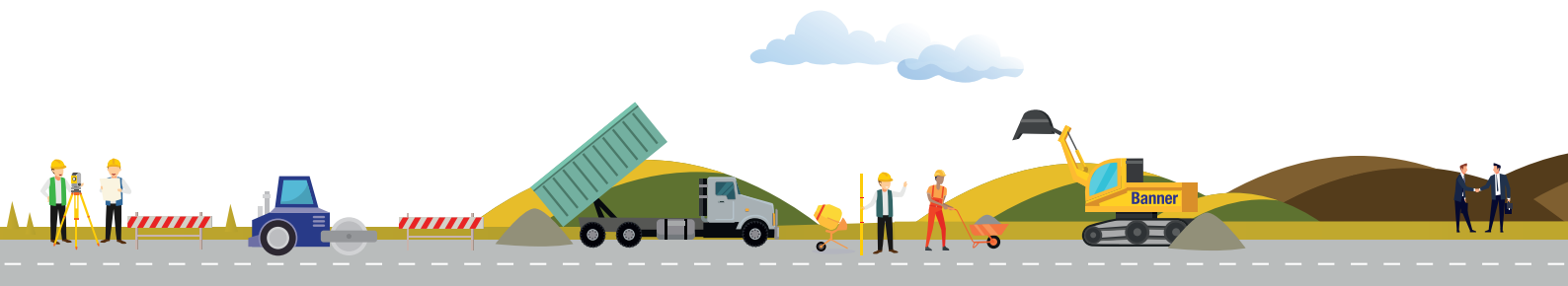
Henry Boot PLC

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

Registered in England and Wales no. 160996

Tel: 0114 2555444

Email: cosec-ir@henryboot.co.uk



www.henryboot.co.uk

