Henry Boot PLC

Annual Report and Financial Statements
for the year ended 31 December 2018

Stock Code: BOOT.L

Sharing expertise, building relationships.

www.henryboot.co.uk

Welcome to the
Henry Boot PLC Annual Report 2018

Sharing expertise, building relationships.

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 an 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
on pages 14 and 15

Our Geographical Reach

National coverage
The head office of the Henry Boot Group is located in Sheffield but we operate throughout the country. We have nine regional offices and seven plant hire centres to ensure that we are close to our strategic sites and we are able to maximise our development opportunities.

▲ **Head Office**
Sheffield

☐ **Offices**
Birmingham
Bristol
Dronfield
Glasgow
Leeds
London
Manchester
Northampton
Stocksfield

■ **Hire Centres**
Chesterfield
Dronfield
Derby
Leeds
Leicester
Rotherham
Wakefield

Inside this Report

Group at a Glance
The strength and balance of the Group is achieved through an ordered structure and diverse business segments.

Read about the **Group at a Glance** on pages 06 and 07

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

Read about our **Business Model** on pages 16 to 19

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

Our Strategy
The Group strategic priorities ensure our Purpose is fulfilled and our Vision is achieved.

Read about **Our Strategy** on pages 40 to 47

'The One Henry Boot Project'
Initiated to understand the importance of what 'The Henry Boot Way', our culture, means to the Group.

Read about **The Henry Boot Project** on page 12

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.annualreport2018.com**

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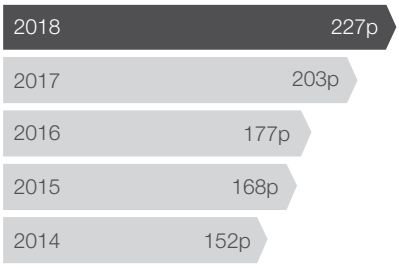
Chairman's Statement

Exceeding expectations.

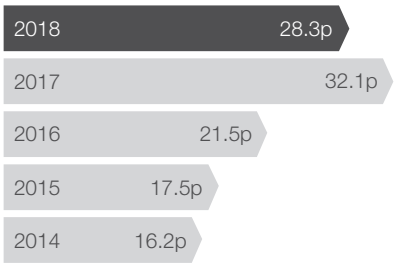
Net asset value per ordinary share

227p



Earnings per ordinary share

28.3p



I am pleased to report that Henry Boot PLC achieved a profit before tax of £48.6m, another strong performance, in a year that was typified by higher levels of economic uncertainty and global political tension.

This is the second-best result in our 133-year history, and, excluding a one-off unexpected pension scheme provision of £1.5m in relation to Guaranteed Minimum Pensions, this performance exceeded our expectations.

Earnings per share were 28.3p covering our proposed dividend over three times. Net assets rose to over £300m with NAV per share at 227p, an increase of 12%. Gearing, as we move into a potentially challenging year, was very prudent at 6%.

The two key profit drivers within the Group are: Hallam Land and Henry Boot Developments. In 2018, Hallam Land, our land promotion business, performed exceptionally well, selling over 3,500 units on 24 sites to help replenish the UK housebuilder's development land inventory. It retains a site portfolio of 14,325 acres and still holds 16,489 units with planning permission, held at cost with no planning gain value recognition, that are working through the sale process. Henry Boot Developments, our property investment and development business, performed well but was not able to progress certain schemes as quickly as it had originally anticipated. This was due to a combination of planning delays and the higher levels of due diligence that now accompany real estate transactions. Furthermore, the 2017 results of this business benefited from the rapid sales of 164 apartments at the former Terry's Chocolate Factory which brought profit forward from 2018.

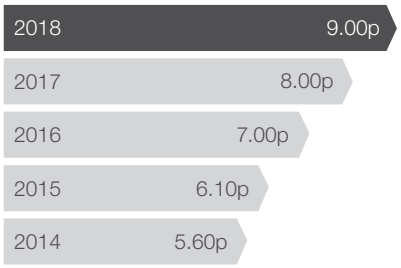
Stonebridge Homes, our jointly owned Leeds-based housebuilder, achieved 145 completions, up 84% on the 79 units completed in 2017. Once again, planning permission delays have affected the speed at which Stonebridge Homes was able to replenish its land portfolio. However, its proven ability to deliver much needed housing will result in more opportunities to buy land. We delivered £71m of construction activity in the year,

Jamie Boot
Chairman

Chairman's Statement

Dividends per Ordinary Share

9.00p



I remain confident that the skilled, experienced and dedicated teams in each of our businesses will achieve sector-leading results, despite the challenges we face.

Jamie Boot, Chairman

up from £60m in 2017 and, given levels of already confirmed contract work and the number of opportunities open to us, we anticipate further growth in 2019. Banner Plant and Road Link A69, where we own a 61% share through to 2026, performed in line with expectations.

Dividend

I am pleased to report to shareholders that the Board is recommending a final dividend of 5.8p which, together with the interim of 3.2p, gives a total of 9.0p for the year, an increase of 13% over the 8.0p paid in 2017. Payment of the final dividend is subject to shareholder approval at the Annual General Meeting and will be paid on 29 May 2019 to shareholders on the register as at 26 April 2019.

Our People

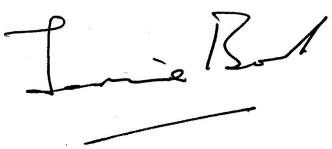
The successful results in 2018 were achieved against a more challenging economic and political backdrop with the markets in which we operated being affected by a higher level of uncertainty. Against this background, our most valuable resource – our people – performed exceptionally well. We continue to empower our teams, both financially and through training initiatives, to acquire new opportunities and deliver profitable outcomes for our schemes. On behalf of the Board, our shareholders and other stakeholders, I salute our people for their resilience, skill and hard work in 2018. I am sure they will deal with the challenges that 2019 brings by using that same approach.

Outlook

The key strategic ethos of Henry Boot is to create long-term value and sustainable growth for our stakeholders by financially empowering and commercially developing our people. 2018 continued this journey as we delivered yet another strong financial performance, while replenishing the longer-term property investment and development opportunities within the business.

We anticipate that 2019 will be a challenging year, as the UK real estate sector adapts to the marketplace in anticipation of the UK's departure from the EU. In advance of this, we have taken the opportunity to reduce gearing through 2018 to take advantage of any opportunities which may arise through 2019. Henry Boot Construction has started the year with a strong committed order book, certain commercial developments anticipated to start during 2018 have now commenced and one sale expected to complete in 2018 completed in January 2019.

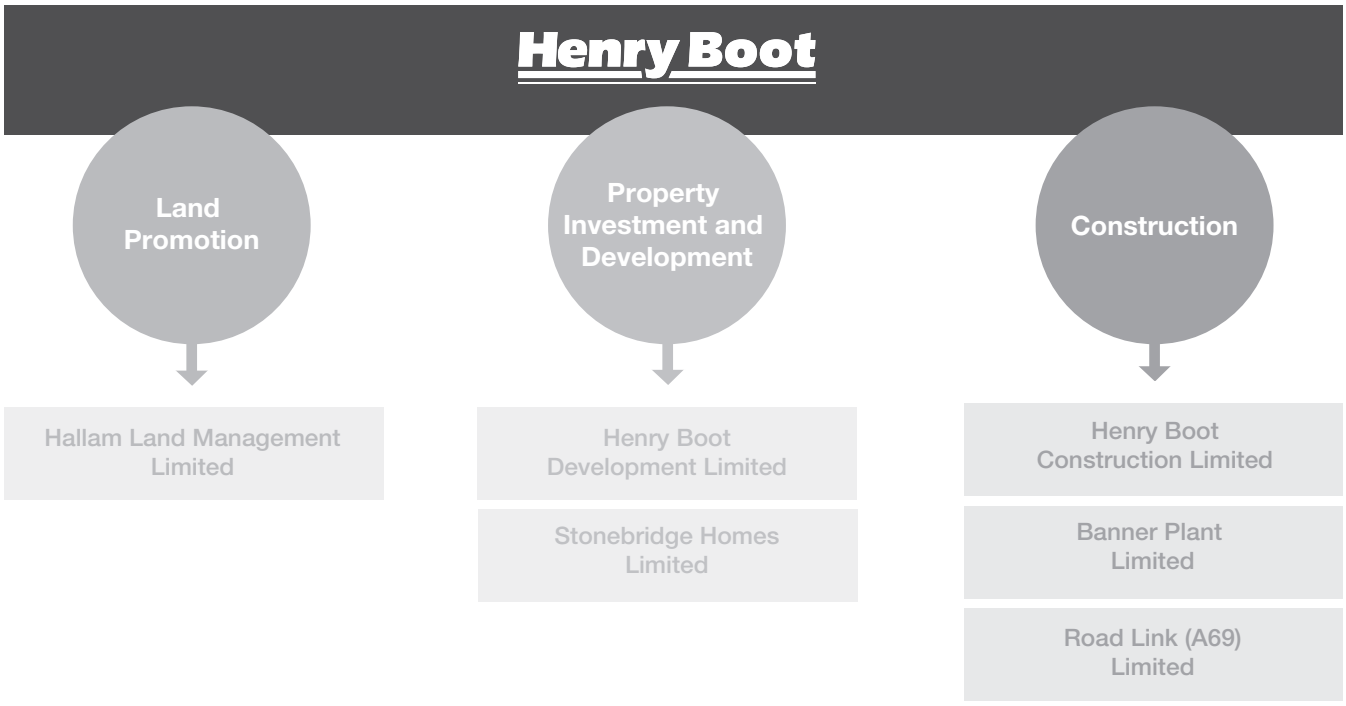
We remain committed to our chosen sectors of strategic land, commercial and residential property investment and development and construction. I remain confident that the skilled, experienced and dedicated teams in each of our businesses will achieve sector-leading results, despite the challenges we face. As reported before, we retain and continue to build an extensive pipeline of opportunities in each of our businesses. The Group's annual results are driven by the profitable delivery of schemes for that year but, rest assured that our teams are committed to the long-term financial success of each site we hold, irrespective of which financial period the profit ultimately arises in. It is through this attention to detail, on a site-by-site basis, that we ultimately achieve long-term value creation for all our stakeholders which is what we are resolutely committed to. Despite the macro uncertainty in the UK real estate market, the new year has started well and the Board's expectations for the current financial year remain unchanged.



Jamie Boot
Chairman
11 April 2019

Group at a Glance

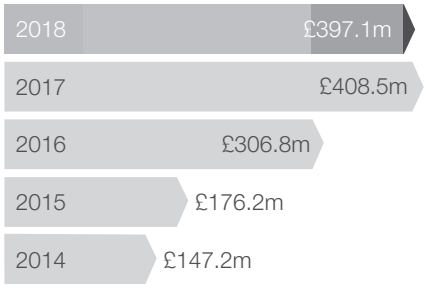
Expertise, experience and agility



The Group is split into three different business segments consisting of six primary businesses. The Parent Company, Henry Boot PLC, exists to provide leadership, direction and support in a number of areas to the businesses.

Group revenue

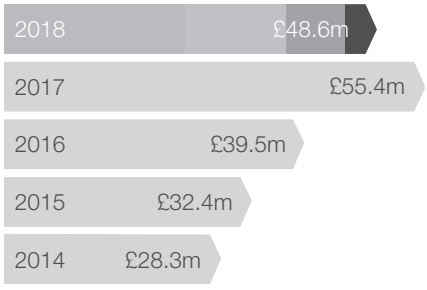
£397.1m



Land Promotion	£74.8m
Property Investment and Development	£221.9m
Construction	£102.9m
Group Overheads/Eliminations	(£2.5m)

Profit before tax

£48.6m



Land Promotion	£28.5m
Property Investment and Development	£15.9m
Construction	£9.2m
Group Overheads/Eliminations	(£5.0m)

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

One of the most progressive property companies in the UK with its considerable experience and impressive reputation in all sectors of property development. Currently the company has a commercial development pipeline of over £1bn.

Key sectors:

— Retail, industrial, leisure, office space and commercial development

— Development partnerships

— Residential development

Stonebridge Homes

A jointly owned company (controlled by Henry Boot PLC) 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 in 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)

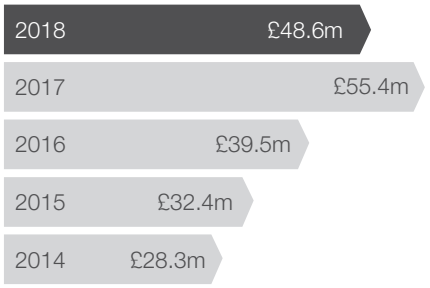
Road Link has a 30-year contract (seven years remaining) with Highways England to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. Works include road resurfacing, bridge repairs, winter preparation and routine maintenance. Highways England pays Road Link (A69) a shadow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

2018 Highlights

Financial Highlights

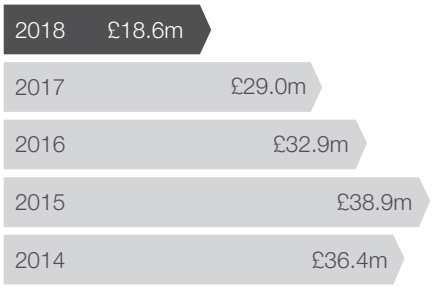
Profit before tax

£48.6m



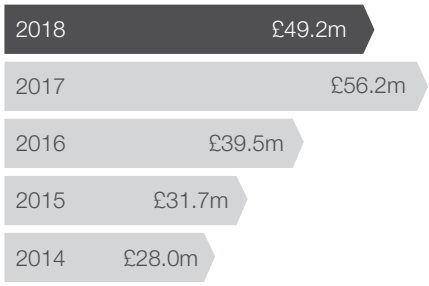
Net debt

£18.6m



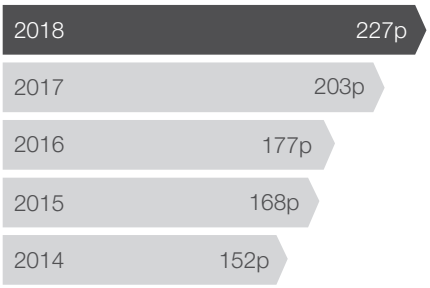
Operating profit

£49.2m



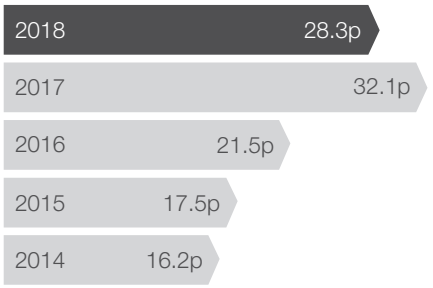
Net asset value per ordinary share

227p



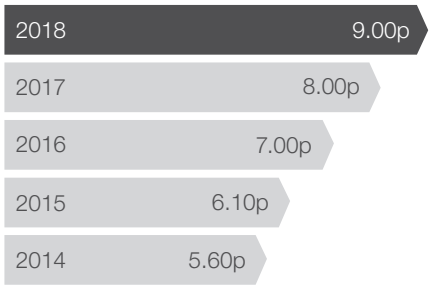
Earnings per ordinary share

28.3p



Dividends per ordinary share

9.00p



Operational Highlights

- Strong set of results delivered, in line with market expectation.
- Over 3,500 units, across 24 sites, sold during the year.
- Stonebridge Homes delivered sales of 145 units, nearly doubling the amount from 2017.
- The £333m joint venture development, TECA, remains within cost budget and is set to open mid 2019.
- Henry Boot Construction delivered over £70m of construction activity across all sectors of their operations.
- Net debt reduced to £18.6m.
- The 'One Henry Boot' Project has completed having achieved its purpose of understanding our culture.
- GDV of current development schemes in delivery is over £700m, of which £400m has been delivered at the end of 2018.

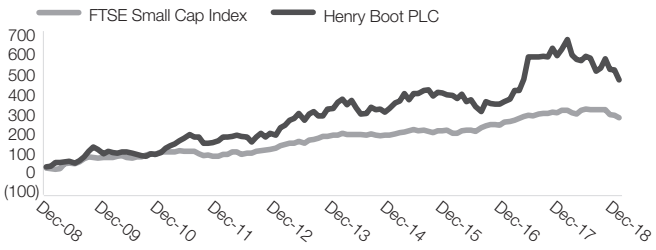
Read the **Financial Review** on pages 34 to 39

Read the **Segmental Reviews** on pages 24 to 29

Investment Case

Key drivers of growth.

Ten-year TSR performance



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 and 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

— **Over 14,000 acres** of strategic land on **178 sites** throughout the UK.
— Our strategic land business has the scope to deliver **60,000 to 70,000** housing units over the next 10 to 20 years, with **16,489 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 over £300m to be delivered over the next three years.
— A small but quickly growing jointly owned housebuilder with a land portfolio of over **800 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 180%** over the last ten years.

Strategic Report

A review of our business and strategy

The Directors present the Group Strategic Report for the year ended 31 December 2018.

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 12 to 65 has been approved by the Board and signed on its behalf by

John Sutcliffe
Chief Executive Officer

11 April 2019

Darren Littlewood
Group Finance Director

11 April 2019

Working in partnership to make things happen.

Chief Executive Officer Update

One Henry Boot
Launch, Adoption & Embedding.

The now complete 'One Henry Boot' Project has been an important story referred to in the past two reports. The purpose of the project was to define our culture, vision and values, which we refer to as 'The Henry Boot Way', by setting up a Working Group of volunteers from across our Group of companies. This project was launched internally in 2017 to ensure the results resonated with our businesses in practice.

During 2018, we began the second phase of the project, with an additional eight Working Groups being set up and the external launch of 'The Henry Boot Way'. We split the launch internally and externally to allow the business time to process and embed 'The Henry Boot Way'. The external launch to our stakeholders took place in March 2018 and was met with very positive feedback. Our customers, partners and clients told us that they recognised 'The Henry Boot Way' to be authentic to our identity and the way we operate. We will continue to share 'The Henry Boot Way' externally as we grow our business and form new relationships.

The eight Working Groups were given specific topics to debate and to make improvements on. These ranged from how we induct and recruit to how we support career development. In total, there were 60 recommendations with 45 already implemented and contributing to the business. This represented a fantastic achievement by the employees involved and a real testament to the 'One Henry Boot' Project.

In June 2018 the 'One Henry Boot' Project closed after achieving its purpose. However, this is by no means the end, as the work undertaken will now embed naturally in the business. 'The Henry Boot Way' will continue to be one of the key elements of our strategy to achieve long term future success.

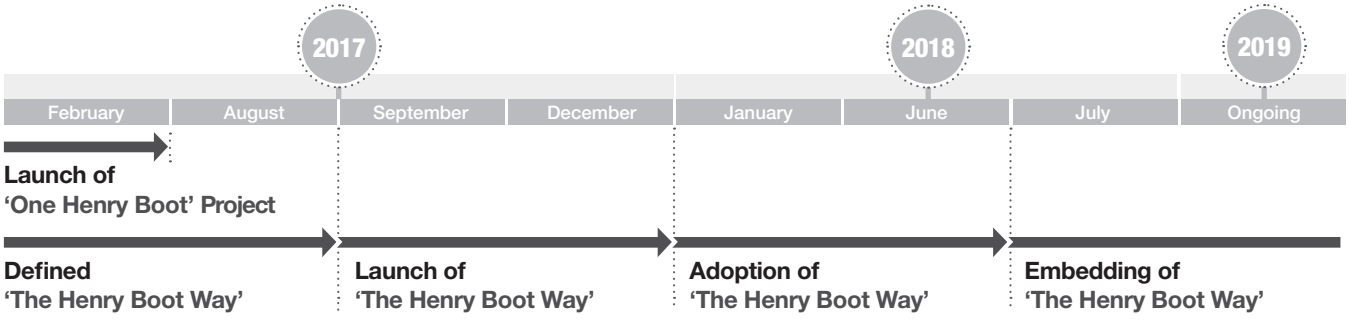
Investors in People

Last year Henry Boot PLC and Henry Boot Developments gained 'Investors In People' accreditation. The plan had been to achieve Group accreditation, however after an internal review, it was agreed that subsidiaries should apply separately. This allowed each business the time to focus on meeting the standards at their own pace. With Henry Boot Construction and Road Link already having accreditation, our focus now shifts to the remaining subsidiaries, who we have no doubt will follow in due course.

Read about our **'People'** in the **Corporate Responsibility** section on pages 58 to 60

John Sutcliffe
Chief Executive Officer

Timeline



John Sutcliffe
Chief Executive Officer

‘The Henry Boot Way’

Built from the ground up.

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**.

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.

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.

Business Model

Competitive advantages.

The business model describes how our three business segments successfully operate for the combined benefit of the Group. The key competitive advantages the business model has to offer are:

Expertise
We have been in business for over 130 years and we are valued for our expertise and forward-thinking approach.

This expertise varies throughout the diversified business segments:

Land promotion
— Identifying land with future potential
— Various investment methods (being owned, optioned or agency agreements) allow us to meet the needs of landowners whilst maximising the number of opportunities available
— Taking land through the complexities of the planning system

Property Investment & Development
— Acquiring and developing brownfield land or under performing property assets
— Operating in diverse sectors to maximise development opportunities
— Developing partnership arrangements

Construction
— Project delivery in both the public and private sector, on-time and within budget
— Creating trusted relationships and repeat business
— Supplying a wide range of plant equipment efficiently

Relationships
Creating lasting relationships with clients, partners and customers is fundamental to the way we do business. We ensure landowners are guided through the planning system, work with key property advisers to become aware of potential opportunities and deliver on time to create repeat business in each of the Groups segments. Our reputation and success are built on the relationships we create, and we take great care to ensure we build on these for the future.

Capital Structure
The property investment portfolio of Henry Boot Developments generates a sizeable amount of rental income each year which allows us to borrow against the investment portfolio at attractive rates. The Construction segment is self-funded and cash generative. We reinvest the cash generated from these activities into strategic land and property development. The revenues generated from the sale of land and property development is not regular, recurring income and it would not be possible to directly fund these activities through borrowings. Our financial structure allows us to invest in the more profitable areas of the business (strategic land and property development) to maximise the value generated while maintaining prudent gearing levels.

Diversified businesses
The Group's three business segments operate across the whole property value chain. Each segment is involved in multiple sectors – residential, leisure, retail, industrial, office and civil engineering – which means that we are not overly exposed to one area of the market. This enables us to weather economic fluctuations and deliver on our key objective of maximising Stakeholder value.

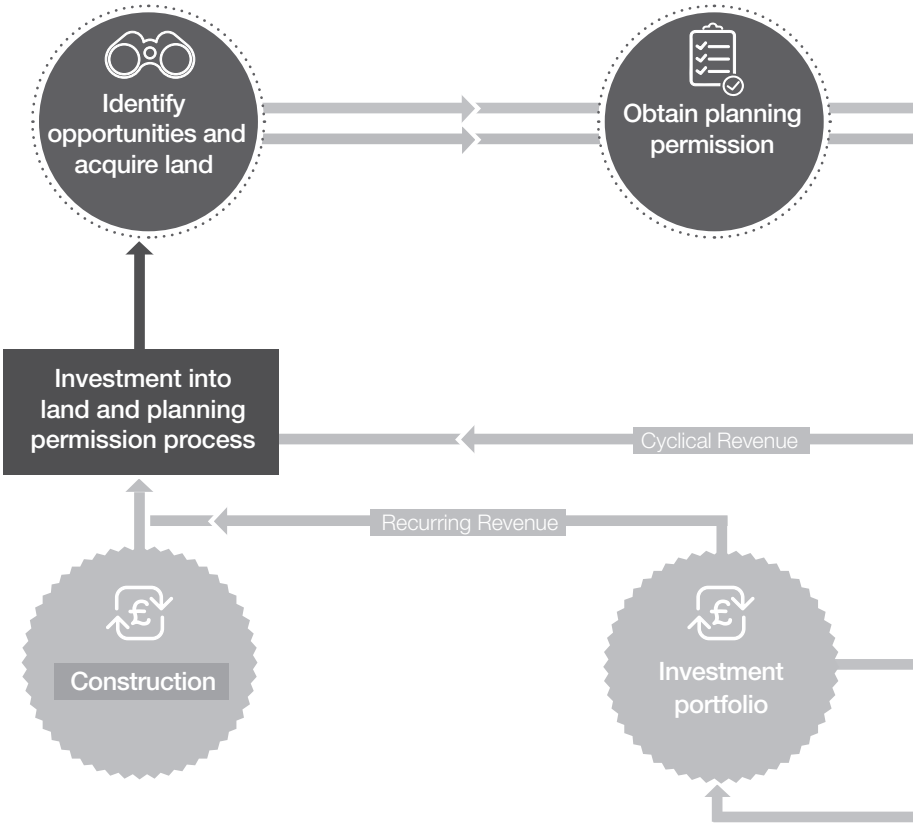
Read about **Our Diversified Business** on pages 06 and 07

Business Model

The six primary businesses within Henry Boot all operate relatively autonomously within their respective business segments.

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 business, if it tenders the best bid.

The businesses share ideas and best practice with each other.



Identify opportunities & acquire land

Henry Boot Developments (HBD) acquires mainly brownfield land for commercial development.

Obtain planning permission

HBD will gain planning permission for commercial development.

Stonebridge Homes promotes land for residential development.

Development of site

HBD and **Stonebridge Homes** develop the sites themselves.

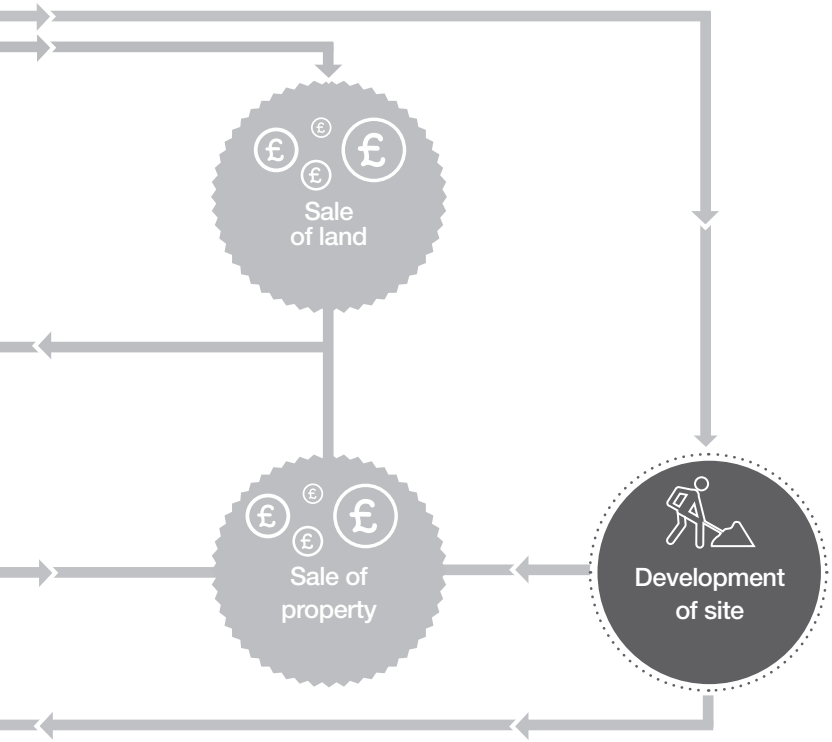
HBD have the ability to self-fund or source prefunding. This means the company can commit to long-term projects, such as complex multi-site regeneration schemes.

Identify opportunities & acquire land

Hallam Land Management (HLM) acquires mainly agricultural land and then promotes it for its highest value use. The use of agency and option agreements is used to secure the land, which can reduce the expenditure on each asset allowing us to maximise the number of land opportunities. However, HLM will buy the land outright if an opportunity presents itself.

Obtain planning permission

HLM promotes land for residential, commercial and retail consent. Gaining planning permission on the land adds immense value to its worth and is crucial part of their operation.



Key

Land Promotion

— Hallam Land Management

Property Investment & Development

— Henry Boot Developments

— Stonebridge Homes

Construction

— Henry Boot Construction

— Banner Plant

— Road Link (A69)

Revenue

— Cyclical

— Recurring

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

Sale of property

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

Sale of land

HLM sells land to a developer, occasionally after infrastructure has been installed.

The amount of capital required to achieve planning permission on land is very small in comparison to the whole building process. **HLM** is focused on maximising the most profitable section of the house building process for the lowest amount of working capital.

Investment Portfolio

A number of the finished property developments are retained and managed by the Property Investment. The Development segment and the Property Investment portfolio is worth over £120m.

Construction

Henry Boot Construction is a contractor specialising in servicing 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 truck 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.

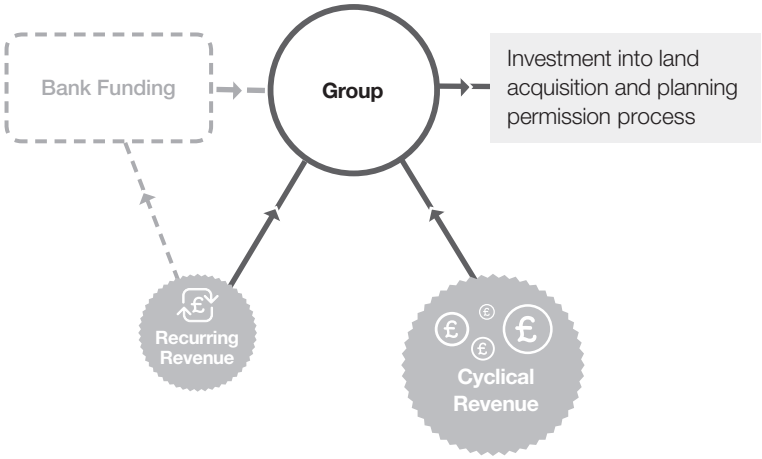
Business Model

Sustainable value

We believe the business model plays a fundamental role in creating sustainable value for the Group and our Stakeholders. The competitive advantages it offers allows us to operate efficiently and meet Our Purpose of creating long-term value.

Financial Strength

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.



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.

Stakeholder value

Shareholders

Operating transparently and responsibly, we regularly engage with our investors to give an understanding of our business model and provide updates on the Group's progress.

Employees

Our employees are integral in bringing the business model into operation. We attract, retain and motivate employees by creating an environment that allows growth and development. This increases the potential for all our people to have long term career opportunities in the Group.

Communities

We aim to develop and maintain strong relationships with the communities we operate in. An important aspect of our approach is to work in partnership with organisations to share benefits equally.

Read more in our **Corporate Responsibility Section** on pages 56 to 65

Market Review

Land Promotion

We continually review the markets our business segments operate in to identify market trends and conditions which can affect the Group. The analysis helps form the strategy that will deliver the Group's key priorities and the identification of risk.

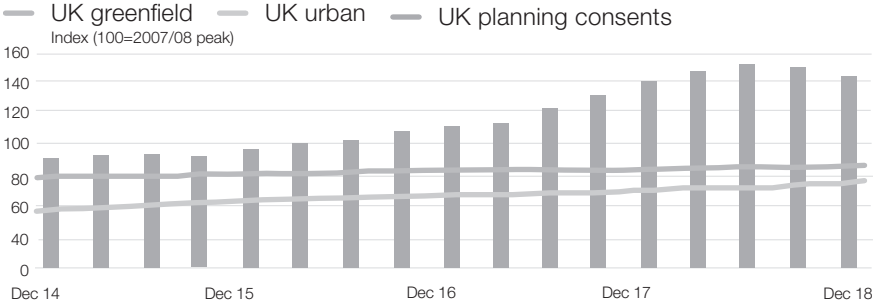
During 2018 residential land value remained stable, helped by Government initiatives on affordable housing and 'Help to Buy', which was relaunched in the Autumn. The housing market continues to be buoyed by low interest rates and good availability of borrowing. Our major customers continue to be the large UK housebuilders, but additionally during the year we sold two sites to Housing Associations, broadening our future customer base.

The Government continues with welcome planning reforms, such as National Planning Policy Framework ('NPPF'), re-issued in the summer of 2018, with the objective of increasing the amount of planning consented land so that the national target of building 300,000 new homes per annum by the mid 2020's can be achieved.

We do not expect significant structural change to the planning process that would impact significantly on our strategic land business, but, as we have seen over the last decade, we do anticipate continued pressure on land value through Section 106 negotiations requiring more affordable housing and higher payments towards infrastructure.

The housing market in 2018 remained resilient, and sales in the new homes sector, as opposed to second hand homes, were maintained. The underlying market for our land remains strong with Halifax anticipating "continued stability in house prices during 2019 with between 2% and 4% price inflation". However, the planning process remains very protracted and expensive and accordingly sites in valuable market areas continue to be the most sought after.

Annual land value growth



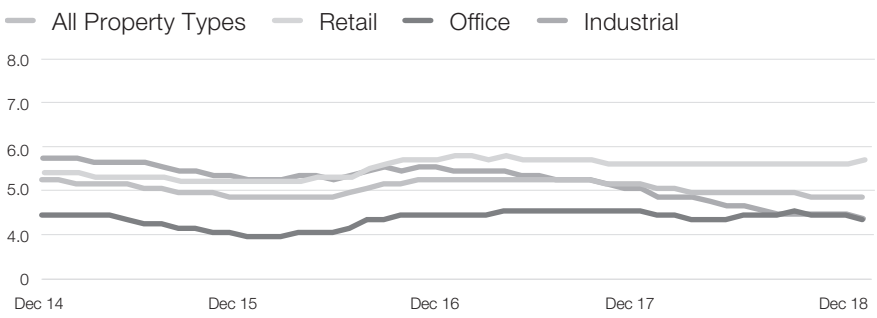
Source: Savills Research, HBF, Glenigan

Property Investment and Development

In common with other industries, the Brexit uncertainty has fed through into the UK property investment and development market. This has resulted in net investment disposals which has led, in turn, to lower rents and valuations, particularly for retail assets. However, the fundamentals of the UK property market remain strong with relatively low loan to value ratios and a diverse and experienced range of investors.

Therefore, whilst we may see some market uncertainty whilst investors and occupiers fully assess the Brexit outcome, the medium-term prospects for the UK commercial property sector remain positive. Indeed, for international investors, the UK continues to be a favoured property option due to its legal and tax transparency, and any sterling depreciation will, we believe, only increase the appetite for overseas investment into the UK commercial property market.

Net yields %



Source: JLL & IPD

The strongest sub sectors of the market through 2018 were industrial and logistics assets and residential accommodation, including build to rent, student and affordable housing. Indications are that, along with regional offices, these will continue to be the favoured sectors during 2019. Length of lease, inflation linked or growing rental indicators and quality of the tenant covenant remain the key drivers of yield strength, although few asset categories are now seeing any further yield compression.

Market Review

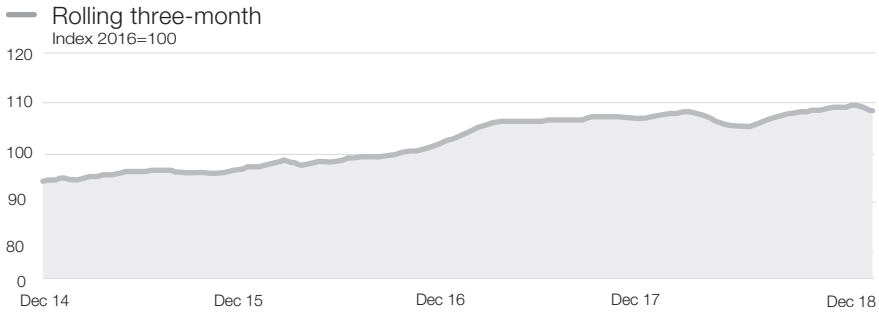
Construction

Henry Boot Construction mainly operates throughout the Midlands and the North of England, servicing a wide range of public and private sector clients. Banner Plant supplies a broad variety of non-man operated plant to the construction subcontract supply base across a wide range of construction markets, once again in the North and the Midlands. Across the country, spending by schools, universities, hospitals, prisons and other local infrastructure providers has been maintained, coupled with increased spending on housing. We expect spending on these sectors to continue regardless of changes to Government policy, due to anticipated growth in the UK population. This workload is further complemented by a wide private sector client base.

Uncertainty has resulted in private sector developers delaying certain construction projects. However centrally funded projects across a wide range of sectors remains resilient and we remain confident that quality contractors with demonstrable financial strength will continue to win work.

The well publicised financial difficulties within some parts of the construction industry brought more scrutiny on construction delivery partners, particularly given the very low margins and risks associated with construction projects. However, our strong customer base, healthy level of negotiated schemes, repeat business opportunities and ability to deliver work across a wide range of sectors, combined with our financial strength, means that we continue to successfully secure a growing workload.

Construction output & employment seasonally adjusted, GB



Source: Construction Output and Employment – Office for National Statistics

Strategic strengths.

After completing the market review we identified five strategic strengths that we feel support our operations. These strengths also become a part of the thought process for the subsidiaries strategic priorities.

1 Actively address the housing shortage

— The government is actively addressing the housing shortage with initiatives such as 'Help to Buy', placing our strategic land business in a strong position to continue to deliver land with planning permission to UK housebuilders. This also supports the growth of our own house building activities and presents residential development opportunities in property development.

2 A growing land portfolio

— Stonebridge Homes has a growing land portfolio in strong market locations where we expect the market to be resilient and is looking forward to 2019 confident it can deal with the challenging marketplace.

— Hallam Land also continues to grow its land portfolio with a focus towards increasing its owned land and opportunities in the Midlands and Southern regions.

3 Diverse range of development projects

— We retain a diverse range of development projects throughout the UK to help protect the Group from any short-term market volatility. Our forecast workload for the next three years shows us delivering schemes across different types of property, with a strong bias towards the industrial and logistics sector.

4 Variety of JV opportunities

— We have a good mix of projects which we are either progressing independently, or via joint venture arrangements. Many of these joint venture opportunities are being delivered in partnership with the public sector (particularly local authorities). This is a core part of our business which has enjoyed success over many years and one which we aim to grow in the future.

5 Reputation to deliver work

— A strong reputation and ability to deliver work across a variety of construction sectors leading to a healthy order book of repeat business.

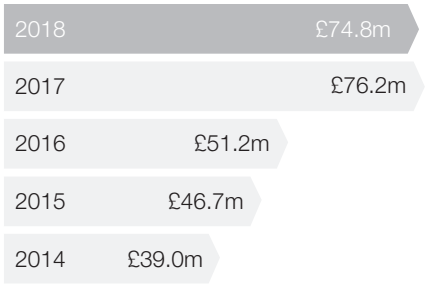
Segmental Review
Land Promotion

We have been encouraged to see initial indications from the major UK housebuilders that they have traded, thus far, well.

Nick Duckworth,
Hallam Land Management Limited

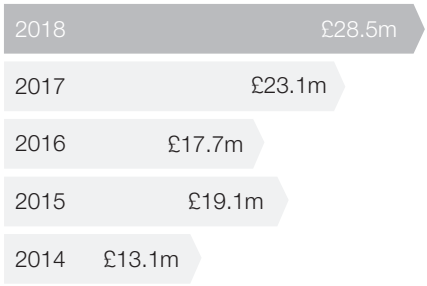
Total revenue

£74.8m



Profit before tax

£28.5m



Hallam Land had a very successful year in 2018. Our UK housebuilder customers achieved strong house sales during the year and replenished their land portfolios in good market areas. Profit before tax for the year was £28.5m (2017: £23.1m) from selling 3,573 plots across 24 residential and three commercial schemes. Because of these sales, our consented site portfolio reduced to 16,489 plots (Dec 2017: 18,529); however, at the year end we had 11,929 plots which were the subject of planning applications (Dec 2017: 7,982), and we entered 2019 with 1,480 plot sales exchanged and awaiting completion in 2019.

As our strategic land portfolio is held as inventory, accounting policy requires these assets to be held at the lower of cost or net realisable value. In accordance with this policy no uplift in value can be recognised within our accounts relating to any of the 16,489 plots over which planning permission has been secured. Any increase in value created from securing planning permission over these assets will therefore only be recognised on disposal.

Over a six year period, we have gained planning permission for 21,591 new plots, successfully sold 11,396 plots and built a land portfolio of plots moving into the sale process amounting to 16,489, in addition to the land we are now progressing through the planning system or waiting to come forward into the process.

We secured a total of 1,533 new consented plots during the year (or consents subject to Section 106 agreement) including sites at: Bilston (95 plots), Crowmarsh Gifford (75 plots), Evesham (220 plots), Sileby (195 plots), Warwick (90 plots), Wellingborough (600 plots) and Wetherby (210 plots). At the year end the Company held land interests in 14,325 acres (2017: 13,273 acres) as either freehold or under option/promotion agreements, including 2,599 acres with planning consent (2017: 2,884 acres).

During the year we made initial disposals at Market Harborough (226 plots) and Haverhill (450 plots), leaving 236 plots and 800 plots respectively for future years. At Market Harborough the balance of the holding is contracted for disposal between 2019 to 2021, whereas at Haverhill (south east of Cambridge) the balance will be marketed in 2021/22. As mentioned last year, we benefit from a significant asset at Didcot, comprising 2,150 plots and a share in a local centre, to the west of the town. During 2018, we selected preferred housebuilders and contract negotiations have commenced as we work to secure disposal of these plots.

Another significant project that progressed very well during 2018 was at Eastern Green, Coventry. During the year planners removed this site from the green belt and allocated it for a mix of residential and commercial development in the Coventry city local plan. At the turn of the year we submitted a planning application for 2,625 plots, 15 hectares of commercial development, a primary school and other community facilities. Coventry is largely surrounded by green belt and this is the most significant site coming forward for development within the City boundary. Our aim is to secure planning consent late in 2019 with development commencing in 2020/21.

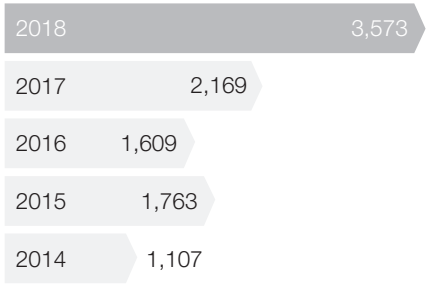
At our other long-standing projects, Cranbrook, the 3,500-unit new community at Exeter, and Kingsdown in Bridgwater, steady progress continued during the year. At Cranbrook we sold 180 plots to a regional housebuilder, and successfully progressed our expansion plans for the new town, while in Bridgwater, 72 plots were sold to a national housebuilder. Both projects continue to perform well.

We commence 2019 in very good shape with 1,480 plots exchanged for sale and a further 237 exchanged subject to reserved matters planning approval. Additionally, our consented portfolio was bolstered in the first few days of 2019 when a long-standing scheme to the west of Worcester secured outline consent, subject to signing the Section 106 agreement, for 900 plots.

We have been encouraged to see initial indications from the major UK housebuilders that they have traded, thus far, well through the period of uncertainty arising from the decision to leave the EU with no adverse impact on our contracted transactions and, therefore, we look forward to another solid year in 2019.

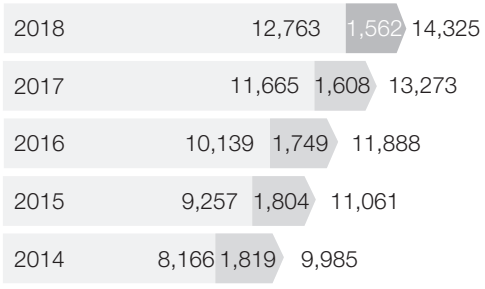
No. of plots sold

3,573



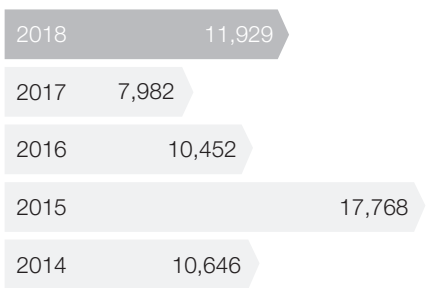
Land portfolio (acres)

14,325



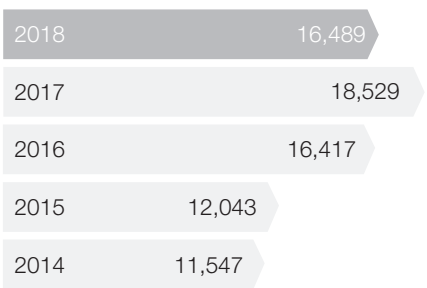
Plots in planning process

11,929



Plots with planning permission

16,489



Segmental Review
Property Investment and Development

We have seen planning, development agreements and letting successes across several of our strategic employment sites.

Edward Hutchinson,
Henry Boot Developments Limited

Stonebridge Homes performed well in 2018, achieving 145 sales, nearly doubling since the previous year.

Darren Stubbs,
Stonebridge Homes Limited

Henry Boot Developments achieved good progress on a diverse range of projects in both the pre- and post-construction phases during 2018. New development opportunities were progressed on a 56-acre employment site at Cloverhill in Aberdeen, a 300-unit Private Rented Sector (PRS) scheme at Deansgate Station in Manchester and a prominent city centre site in Manchester for circa 100,000 sq ft of Grade A office space.

We have seen planning, development agreements and letting successes across several of our strategic employment sites. We obtained detailed planning and exchanged a development agreement for the International Advanced Manufacturing Park (IAMP) in Sunderland, with the first phase of infrastructure planned for 2019 and are already in detailed discussions with several potential occupiers. We have commenced construction of 83,000 sq ft of speculative industrial space at Butterfields Business Park in Luton. Following planning permission and confirmation of further infrastructure grant funding at Airport Business Park in Southend, we expect the first design and build unit, of 123,000 sq ft for Ipeco, to commence in 2019. We have also completed the acquisition of 18 acres at Preston and entered into development agreements at Wakefield, Taunton and Enfield to deliver further industrial/logistics schemes. The strategic employment sites in Nottingham (car dealership use included) and Walsall are also making good progress and we should be developing units by late 2020/2021.

Our residential opportunities are progressing well. “Kampus” in Manchester, a £220m forward funded 533 build-to-rent apartment scheme, is on track to complete in 2020. We submitted a planning application late in 2018 for a 123-apartment scheme with Stonebridge Homes at our site in York and we hope to commence development in late 2019/2020. We also expect to start construction work on 27 apartments on the upper floors of Equitable House in central Manchester following the sale of the ground floor retail units in 2018.

At Wyvern Park, Skipton, we obtained planning consent to commence infrastructure work in 2019 which should result in us securing residential and employment land receipts in 2020. Elsewhere, we completed bespoke industrial units, for the 11th consecutive year, totalling 108,000 sq ft at Markham Vale and are already contracted to deliver a further 110,000 sq ft in 2019.

Finally, The Event Complex Aberdeen remains within cost budget and on time to open in summer 2019. The exciting £333m development, in partnership with Aberdeen City Council, will create 48,000 square metres of multi-purpose event space, conference and exhibition halls, a stunning 12,500 seat arena, spacious hospitality boxes, a premium restaurant and 350 hotel beds.

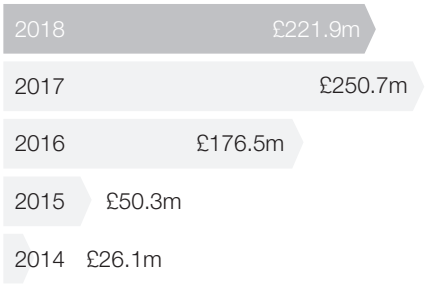
Housebuilding

Our jointly owned housebuilder, Stonebridge Homes, performed well in 2018, achieving 145 sales (2017: 79 sales) and carried over 15 reservations into 2019. We expect to be selling from six to eight sites with planning permission to deliver our 2019 targets largely in the buoyant market areas north and east of Leeds. We have also invested further in our management teams to support the anticipated growth in the business.

Our land portfolio with secured permission now stands at 379 units (2017: 320 units) and longer term secured sites, subject to obtaining planning permission, equate to 489 units (2017: 560 units). We are actively looking to grow this opportunity portfolio, with the longer term aim of building Stonebridge Homes into a multi-region mid-tier housebuilder.

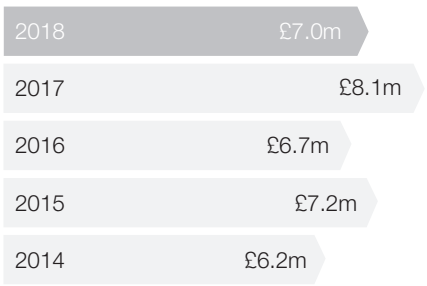
Total revenue

£221.9m



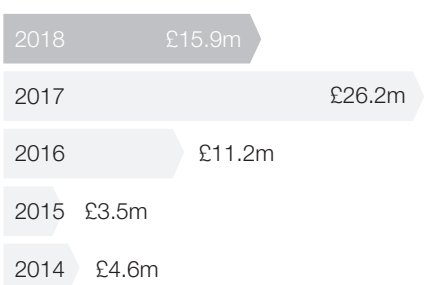
Rental income

£7.0m



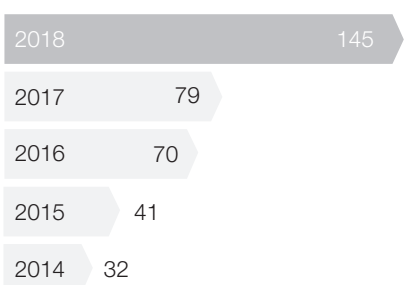
Profit before tax

£15.9m



No. of plots sold (Stonebridge Homes Limited)

145



Segmental Review
Construction

In recent years we have exceeded targeted profit levels by maintaining a good blend of both private and public-sector clients.

Simon Carr,
Henry Boot Construction Limited

Depots in the North traded well and we benefited from strong sale values for fully depreciated asset disposals.

Giles Boot,
Banner Plant Limited

Despite testing weather conditions in early 2018, the contract completed another successful year in line with expectations.

Trevor Walker,
Road Link (A69) Limited

Henry Boot Construction delivered £71m of construction activity in 2018 and started 2019 with a very strong order book. In recent years we have exceeded targeted profit levels by maintaining a good blend of both private and public-sector clients across a wide range of building and civil engineering sectors. This provides a solid base to manage the risk of any short-term uncertainty associated with the UK's departure from the EU. Repeat business continues to underpin our success and is an indication of our excellent performance and delivery of value for our clients.

In the commercial sector, Phase 1 of the Barnsley town centre redevelopment scheme, The Glass Works, is now nearing completion and we have commenced design and remediation works on the first part of Phase 2, an £88m commercial and retail offering.

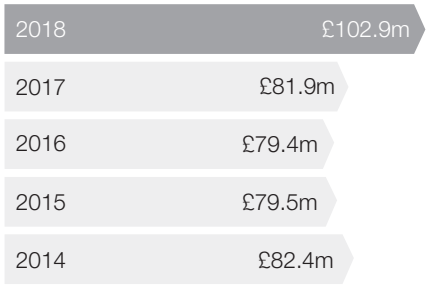
The civil engineering sector continues to provide good opportunities. We completed the infrastructure and roads project at the Advanced Manufacturing Park for the University of Sheffield and work for Extra MSA at Skelton Lake in Leeds is also progressing well. There has been an increase in housing opportunities and we are now part of a preferred consortium aiming to build out a major PRS residential scheme in Sheffield.

We completed several projects within the educational sector in 2018; the Aerothermal Technology Building for Loughborough University, concourse Public Realm works for the University of Sheffield, the School of Earth and Environment expansion at the University of Leeds and the Spine Public Realm scheme for Lancaster University. We also continue to deliver the Sports Development Centre for the University of Hull, the Royce Discovery Centre for the University of Sheffield and Brookfield Campus for the University of Leicester. We also successfully secured a place on the Leeds Local Education Partnership.

Further places have been secured on the Pagabo public and private sector framework and the Procure North West framework. Several schemes have also been secured through the Ministry of Justice refurbishment framework. Through the YORbuild 2 framework, we have completed structural works to six tower blocks for Leeds City Council. In the healthcare sector, we continue to be a framework delivery partner for the Sheffield Teaching Hospitals NHS Foundation Trust.

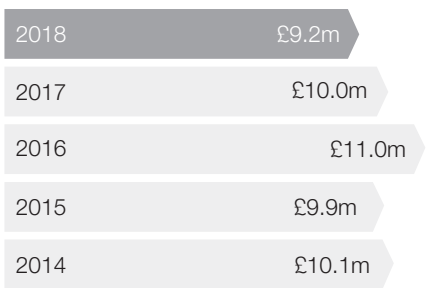
Total revenue

£102.9m



Profit before tax

£9.2m



Plant Hire

Banner Plant traded broadly in line with expectations. Depots in the North traded well and we benefited from strong sale values for fully depreciated asset disposals. These benefits were offset by weaker activity in the Midlands-based depots and management changes have been implemented to bring new focus here. We continue to invest in the fleet with capital investment at 12% of asset cost, while cash inflows, helped by the strong sales values, were ahead of expectations.

Road Link

Road Link (A69) which runs the A69 between Newcastle and Carlisle under a Design, Build, Finance and Operate (DBFO) agreement, completed another successful year in line with expectations. Traffic volumes were slightly up on 2017 and, despite some days of heavy snow in the early part of 2018, the road remained open throughout the year. The contract has seven years to run and remains on course to operate to plan until the hand-back to Highways England is effected at that time.

Segmental Case Study

Land Promotion

Land Promotion Value Chain

Read more about our **Business Model** on pages 16 to 19

Read the **Land Promotion Review** on pages 24 and 25

Airfield Farm, Market Harborough, Leicestershire

In 1999, Hallam Land Management (HLM) purchased 56 ha at 'Airfield Farm Market Harborough', which once formed part of a World War Two Wellington bomber RAF airbase and training centre. In the early 2000s work on the master plan began. This demonstrated the need for two points of access, one to the north of Leicester Road and one to the south via a new bridge to be built across the existing Grand Union Canal.

In January 2009, Harborough District Council (HDC) produced a Local Development Framework timetable and in March of that year they published a Strategic Housing Land Availability Assessment which identified Airfield Farm and neighbouring land as a site with potential to accommodate 1,100 dwellings. After HDC advisors reviewed our proposal the following application was submitted in 2011:

- Residential development, up to 924 dwellings
- Construction of access roads
- Local centre, retail & leisure
- Marina with hotel
- Community uses
- Primary school

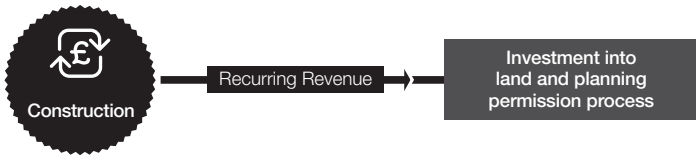
Airfield Farm secured planning consent in May 2016, followed by approval of its Reserved Matters first phase in February 2017. A detailed strategy was put in place for our on-site infrastructure works, ground remediation, archaeological excavation and service provision. Infrastructure contracts were agreed with Breheny Civil Engineering and novated to our purchasing housebuilder.

HLM completed the sale of 226 plots to housebuilder, Taylor Wimpey (East Midlands) in May 2018. The installation of both on and off site infrastructure commenced in January 2018, facilitating the housing construction. The first house sales are due to commence in May 2019.

Segmental Case Study

Construction

Construction Value Chain



Read more about our **Business Model** on pages 16 to 19

Read the **Construction Review** on pages 28 and 29

Glass Works, Phase 1

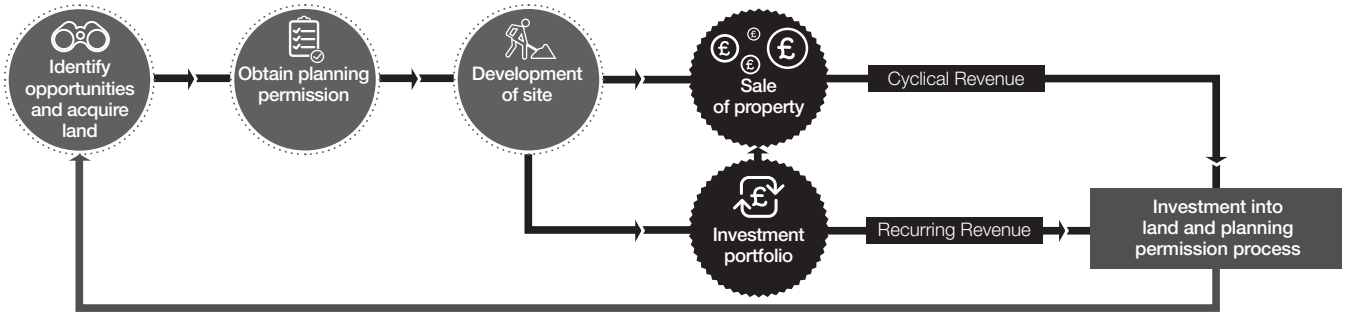
In partnership with Barnsley Metropolitan Borough Council, The Glass Works Phase 1 is a £42m regeneration scheme that will leave a lasting legacy in Barnsley. The town centre has been transformed with new retail, leisure and market space, including new Barnsley Markets, library, public open space and market square. From the very beginning, the site team have worked seamlessly with the client and other key stakeholders to deliver an outstanding and award-winning project, along with an employment and skills legacy that will benefit the community for years to come. The scheme has already won three awards, including Collaborative Working at the Celebrating Construction in South Yorkshire Awards.

Throughout the project, the site team exceeded the Key Performance Indicators, with over £200,000 donated to local good causes and charities. There was also over 250 school and site visits, alongside work experience placements, charitable work and new employment provided for 26 people in the area. Contracts worth over £8m have been awarded to Barnsley-based contractors and over £100,000 has been invested in the Skills Village, a collaboration with Northern Regeneration, Barnsley College and Barnsley Council. The Skills Village helps to address the skills shortage in construction and gives people the opportunity to develop their skills and find a career in the industry. Henry Boot Construction have also contributed £60,000 of funding to the Better Barnsley Bond, which provides grants to local businesses to support training, employment and community initiatives in Barnsley.

Segmental Case Study

Property Investment and Development

Property Investment and Development Value Chain



Read more about our **Business Model** on pages 16 to 19

Read the **Property Investment and Development Review** on pages 26 and 27

Henry Boot Developments have currently *900 Acres* of strategic employment land under contract at various stages of development, capable of delivering over *20 million square feet* of space. We have been particularly successful in securing partnerships with Local Authorities.

International Manufacturing Park (IAMP), Tyne & Wear

Located next to the UK's largest and most productive car manufacturing plant at Nissan, IAMP is a nationally significant project which will provide over 4 million sq ft of advanced manufacturing space by 2031. IAMP is a joint venture with Sunderland City Council and South Tyneside Council and was secured by way of a competitive OJEU process.

We secured detailed planning permission for Phase One in May 2018 which allowed us to commence on site with the first phase of infrastructure works, a £15m contract including the delivery of a new primary substation. We are supporting the Councils in finalising the Development Consent Order to allow Phase Two to be brought forward, the first time a DCO has been utilised in the UK to deliver a planning consent for development. We have embarked on an extensive marketing strategy, producing early interest for over 700,000 sq ft of space.

Butterfield Business Park, Luton

Butterfield is located on the A505, less than five miles from both Junction 10 of the M1 and Luton Airport. The site currently comprises of an Innovation Centre, The Office Business Village, a 157-bedroom Hilton Garden Inn hotel and a 100,000 sq. ft. research and development facility occupied by Eaton.

We were successful in securing a joint venture partnership with a consortium of landowners to deliver the next phase of development at Butterfield, comprising 45 acres of employment land, which upon completion will deliver a further 650,000 sq. ft. of design and build business space.

In late 2018 we managed to get the site reallocated in the Local Plan after an extensive lobbying campaign. This resulted in a revised allocation permitting high quality light manufacturing, warehousing and distribution uses adding to the parks long-standing allocation for offices which will ensure a more rapid take up of accommodation.

The next phase of development is forecast to complete in autumn 2019 and will comprise the speculative development of 10 high-quality industrial units bringing 83,000 sq. ft. of much needed supply to the Luton market.

Airport Business Park (ABPS), Southend

Located adjacent to London Southend Airport, ABPS extends to some 50 acres and will deliver over 1 million sq ft of commercial business space. We were selected as joint venture partner by Southend Borough Council following a competitive OJEU process.

Working with the council, £22m of LEP funding has been secured to fund the site infrastructure, the relocation of Westcliffe Rugby Club, and the provision of an Innovation Centre for start-up businesses. Planning consent for the scheme has been obtained, and the first phase of infrastructure together with the relocation of the rugby club will be completed by the end of 2019.

We have secured Ipeco as the first occupier for the site. Ipeco are a world leader in the manufacture of crew seats for the aviation industry who are investing in a new 125,000 sq ft headquarters facility on the scheme, with construction expected to commence in early summer 2019.

Financial Review

Delivering results for the years ahead.

The Group has once again delivered strong results with good cash flow generation and a notable reduction in net debt".

Darren Littlewood,
Group Finance Director

Summary financial performance

	2018 £m	2017 £m	Change %
Total revenue			
Property investment and development	**221.6**	250.4	–12
Land promotion	**74.8**	76.2	–2
Construction	**100.7**	81.9	+23
	397.1	408.5	-3
Operating profit/(loss)			
Property investment and development	**20.1**	30.4	-34
Land promotion	**27.9**	23.2	+20
Construction	**8.9**	9.6	–7
Group overheads	**(7.7)**	(7.0)	–10
	49.2	56.2	–12
Net finance cost	**(1.4)**	(1.5)	+7
Share profit of joint ventures and associates	**0.8**	0.7	+14
Profit for the year	**48.6**	55.4	–12

The Group has once again delivered strong results with good cash generation and a notable reduction in net debt. The continued delivery of The Event Complex Aberdeen, our Markham Vale scheme in Derbyshire and a growing contribution from residential house sales by Stonebridge Homes underpinned our performance for the year. The continued strength of the UK residential housing market meant that UK housebuilder appetite for good quality residential development land remained high as they replenish their stocks, delivering a 20% profit increase within our land promotion segment. Property investment and development has, however, been impacted by the current market uncertainty along with protracted planning negotiations during the year, albeit the prior year did benefit from strong residential sales at the former Terry's Chocolate Factory which made a significant contribution to that year's results.

We continue to take a long-term strategic approach to land promotion and property development while at the same time focusing on the delivery of the existing pipeline which should deliver good results for the years ahead. While negotiations between the UK and the EU continue to drive uncertainty within our markets, which lead to commencement delays in projects and developments, we enter 2019 with a significant amount of property development work in progress, several land sales already exchanged awaiting completion and a strong order book within our construction business.

Darren Littlewood
Group Finance Director

Financial Review

What we did in 2018

— Produced a strong set of results, despite uncertainty in the market
— Reduced Net Debt to £18.6m, gearing at 6%
— Increased final year dividend by 12%, bringing the total to 5.8p per ordinary share.
— Grew Net Asset Value per Share by 12% to 227p

Consolidated Statement of Comprehensive Income

Revenue decreased 3% to £397.1m (2017: £408.5m) resulting from lower activity within the property investment and development segment arising from work which will now commence in 2019, offset by an increased level of activity within Construction as we continued the delivery of The Glass Works, a £35m town centre redevelopment scheme for Barnsley Metropolitan Borough Council. Gross profit decreased 10% to £78.0m (2017: £86.7m) and reflects a gross profit margin of 20% (2017: 21%). Administrative expenses increased by £1.4m (2017: £4.7m), resulting from the continued expansion of Stonebridge Homes and a modest level of wage inflation linked to employee retention.

During the year, the High Court issued its judgement relating to the Guaranteed Minimum Pension equalisation case with Lloyds Bank plc. This resulted in increased obligations for defined benefit pension schemes which are to be recognised as a past service cost. Accordingly, pension expenses increased by £1.6m (2017: £0.6m) to include a one-off provision of £1.5m relating to Guaranteed Minimum Pensions, along with a general increase due to rising employee numbers. Without this one-off provision, Group overheads would have fallen during the year helped by reduced employee bonus provisioning.

Property revaluation losses of £0.1m (2017: £3.6m) were the net effect of uplifts of £2.9m (2017: £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 £3.0m (2017: £8.8m) on a number of other properties, most notably retail assets.

Overall, operating profits decreased by 12% to £49.2m (2017: £56.2m) and, after adjusting for net finance costs and our share of profits from joint ventures and associates, we delivered a profit before tax of £48.6m (2017: £55.4m).

The segmental result analysis shows that property investment and development produced a reduced operating profit of £20.1m (2017: £30.4m) arising from continued activity on The Event Complex Aberdeen and contributions from our Markham Vale industrial development. Land promotion operating profit increased 20% to £27.9m (2017: £23.2m) as we disposed of 3,573 residential plots during the year (2017: 2,169). Construction segment operating profits decreased slightly to £8.9m (2017: £9.6m) after Plant Hire and Road Link performed in line with expectation but Construction returns were impacted by pre-commencement works, on several potential future schemes, on which the company only recovers costs. The nature of deal-driven property and land promotion businesses, dependent upon demand from the major UK housebuilders and reliant on the UK planning regime, is demonstrated in the movements within our mix of business streams. We continue to show how the benefits of a broad-based operating model brings stability in what are highly fluid business environments. While we maintain a significant pipeline of property development and consented residential plots, the variable timing of the completion of deals in these areas does give rise to financial results which can vary significantly depending upon when contracts are ultimately concluded. We mitigate this through the blend of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £8.2m (effective rate of tax: 17%) (2017: £9.8m and effective rate: 18%) and is lower than the standard rate due to a prior year adjustment relating to non-taxable capital gains. We currently have a £3.5m unrecognised deferred tax asset (2017: £3.2m) which can be utilised to offset future capital gains if they arise. Current taxation on profit for the year was £8.1m (2017: £9.7m), with the 2018 charge

being lower than the standard rate of corporation tax due to the previously mentioned prior year adjustment. Deferred tax was £0.1m (2017: £0.1m).

Earnings per share and dividends

Basic earnings per share decreased in line with profits to 28.3p (2017: 32.1p), however, total dividend for the year increased by 13% to 9.00p (2017: 8.00p), with the proposed final dividend increasing by 12% to 5.80p (2017: 5.20p), payable on 29 May 2019 to shareholders on the register as at 26 April 2019. The ex-dividend date is 25 April 2019.

Return on capital employed ('ROCE')

Slightly lower operating profit in the year saw a reduced ROCE[1] of 14.9% in 2018 (2017: 18.6%), the prior year benefited from the impressive result within property development that year. While we continue to review our strategic target rate of return, we continue to believe that a target return of 12%–15% is appropriate for 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.

Finance and gearing

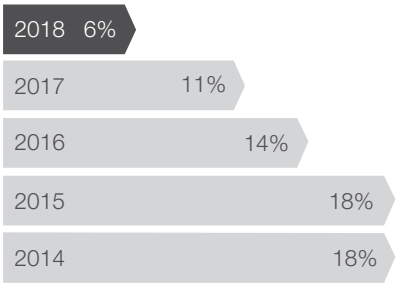
Net finance costs reduced slightly to £1.4m (2017: £1.5m). We saw a reduction in our net debt levels throughout 2018 as we collected several deferred land sale receipts and concluded the disposal of our retail investment at St Anne's Square in Manchester. Average borrowing rates were slightly higher than the previous year due to the increase in the base rate from 0.50% to 0.75% in the year. We anticipate that interest costs will rise through 2019 from increased borrowings to support higher levels of development activity. We also expect to see slight rises in interest rates during 2019, although this will not result in a material change to our borrowing costs. We continue to invest in both our land and property development assets, as we recycle capital into future opportunities and 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 33 times (2017: 38 times). No interest incurred in either year has been capitalised into the cost of assets.

Financial Review

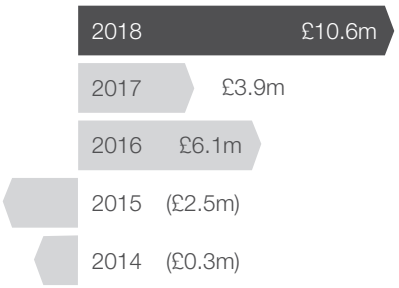
Gearing levels

6%



Cash Generation

£10.6m



Our completed investment property portfolio has decreased to £118m (2017: £127m) against which we secure bank funding to allow us to undertake property development and land promotion, neither of which is readily funded using traditional low-cost bank debt. Our investment property assets continue to provide the key covenant support for our banking facilities. Our agreed facilities remained at £72m throughout the year and have a renewal date in February 2020. Initial conversations have been undertaken with several banks regarding the renewal in 2020 and feedback suggests that there is a good level of interest in tendering for the facilities during 2019 either as a sole provider or under a syndicated arrangement.

The 2018 year-end net debt fell to £18.4m (2017: £29.0m) resulting in gearing, on net assets of £302.3m, falling to a very conservative 6% (2017: net assets £270.1m; gearing 11%). Total year-end net debt includes £3.6m (2017: £6.1m) 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.

Summary of net debt

	2018 £m	2017 £m
Operating profit	**49.2**	56.2
Depreciation and other non-cash items	**4.8**	8.5
Net movement on equipment held for hire	**(3.3)**	(2.6)
Movement in working capital	**(28.4)**	(15.8)
Cash generated from operations	**22.3**	46.3
Acquisition of subsidiary	**—**	(2.7)
Net capital disposals/(expenditure)	**13.4**	(17.6)
Net interest and tax	**(11.3)**	(9.5)
Dividends	**(13.6)**	(12.0)
Other	**(0.2)**	(0.6)
Reduction in net debt	**10.6**	3.9
Net debt brought forward	**(29.0)**	(32.9)
Net debt carried forward	**(18.4)**	(29.0)

During 2018, cash generated from operations amounted to £22.3m (2017: £46.3m) after net investment in equipment held for hire of £3.3m (2017: £2.6m) and, after a net investment in working capital of £28.4m (2017: £15.8m). Our investment in working capital arises from the continued growth in our land portfolio and higher levels of contracting activity.

Net capital disposals of £13.4m (2017: expenditure £17.6m) arose from sales of investment property and property, plant and equipment of £20.1m (2017: £11.1m), which were offset by new investment in property development and plant hire assets of £6.7m (2017: £28.7m).

Dividends paid, including those to non-controlling interests, totalled £13.6m (2017: £12.0m), with those paid to equity shareholders of £11.1m (2017: £9.6m) increasing by 16%.

After net interest and tax of £11.2m (2017: £9.5m), the overall reduction in net debt was £10.6m (2017: £3.9m), resulting in net debt of £18.4m (2017: £29.0m).

Statement of financial position summary

	2018 £m	2017 £m
Investment properties and assets classified as held for sale	**121.0**	134.8
Intangible assets	**5.1**	5.4
Property, plant and equipment	**26.2**	26.5
Investment in joint ventures	**6.7**	5.9
	159.0	172.6
Inventories	**155.0**	144.6
Receivables	**114.9**	96.1
Payables	**(95.0)**	(96.0)
Other	**3.5**	4.6
Net operating assets	**337.4**	321.9
Net debt	**(18.4)**	(29.0)
Retirement benefit obligations	**(16.7)**	(22.8)
Net assets	**302.3**	270.1

Investment properties and assets classified as held for sale reduced in value to £121.0m (2017: £134.8m), largely following the disposal of our retail investment at St Anne's Square in Manchester, whilst retaining the upper floors for future residential development.

Intangible assets reflect the Group's investment in Road Link (A69) of £4.2m (2017: £4.5m) and goodwill of £0.9m (2017: £0.9). 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 in 2026.

Property, plant and equipment comprises Group occupied buildings valued at £7.9m (2017: £8.1m) and plant, equipment and vehicles with a net book value of £18.3m (2017: £18.4m), broadly unchanged as new additions of £5.8m (2017: £10.3m) were offset by the depreciation charge for the year.

Investments in joint ventures and associates increased to £6.7m (2017: £5.9m) as we continue to invest in property development projects with other parties where we feel there is a mutual benefit. We anticipate that these opportunities will continue to increase as we finalise a number of schemes with interested parties partnering with us to utilise our development expertise.

Inventories were £155.0m (2017: £144.6m) and saw an increase in the land portfolio to £107.9m (2017: £101.7m) as we continue to invest in owned land, option or agency agreements. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal. Property development work in progress increased to £47.1m (2017: £42.9m) as we invest in our housebuilder operation, and commercial development work in progress.

Receivables increased to £114.9m (2017: £96.1m) due to increased deferred land sales and construction contract receivables. We anticipate that these deferred payment receivables will now stabilise, but it remains a function of the number and size of strategic land development schemes sold.

Payables reduced to £95.0m (2017: £96.0m) with trade and other payables, contract liabilities and provisions broadly in line with the prior year and current tax liabilities reducing to £3.9m (2017: £5.8m).

Net debt included cash and cash equivalents of £10.9m (2017: £10.3m), once again a result of cash received in December not able to be offset against short-term borrowings of £29.3m (2017: £39.3m). In total, net debt reduced to £18.4m (2017: £29.0m).

At 31 December 2018, the IAS 19 pension deficit relating to retirement benefit obligations was £16.7m, compared with £22.8m at 31 December 2017, helped by an increase in the discount rate applied to future liabilities to 2.8% (2017: 2.5%). The pension scheme's assets continue to be invested globally, with high quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks; they then make changes, as the Trustee considers appropriate, in conjunction with investment advice from KPMG.

Overall, the net assets of the Group increased by 12% to £302.3m (2017: £270.1m) from retained profits and the reduction in retirement benefit obligations less distributions to shareholders. Net asset value per share increased 12% to 227p (2017: 203p) as we continue to increase the scale of our operations and portfolio of opportunities through retained earnings.

Darren Littlewood
Group Finance Director
11 April 2019

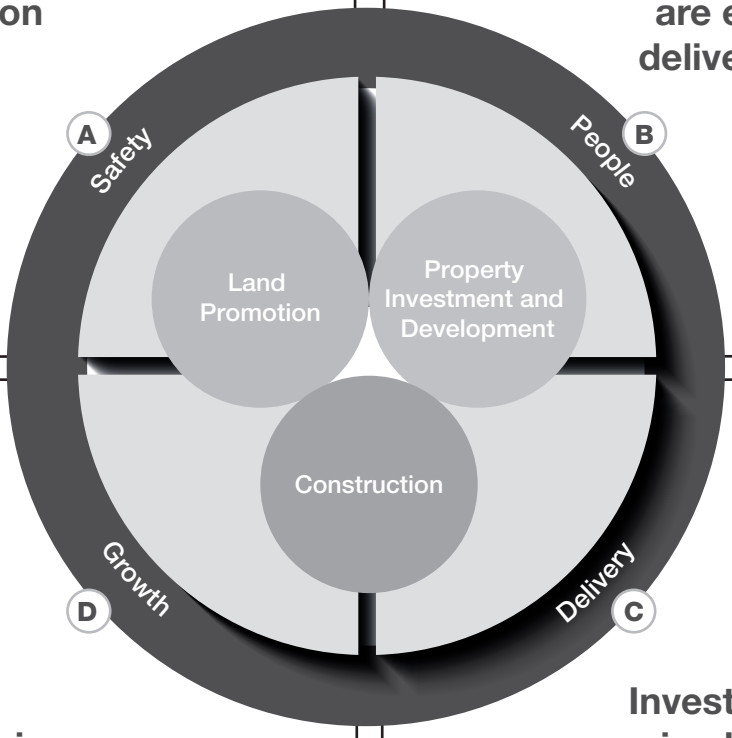
Our Strategy

Formulate, implement and monitor

Group Strategic Priorities
During 2018 we have further developed our strategy, defining the key Group strategic priorities which have been formulated to focus on delivering our Purpose and Vision. These key priorities, detailed in the framework below, are used to guide our business segment strategies and formulate the Group's overarching strategy. This ensures a clear alignment and consistency between strategy, implementation and monitoring.

To be the safest place to work in the construction industry.

Recruit and retain employees who are empowered to deliver the growing business we aspire to be.



To grow net assets, increasing opportunity for the long-term.

Invest appropriately in all our business segments to achieve short-term delivery.

Strategy Statement

Each business segment defines its own strategy within the framework set by Henry Boot PLC. As the business model explains, while our six primary subsidiaries will work together and share best practice on projects, they also operate autonomously. This requires them to have formulated their own individual strategies within the boundaries set. However, Strategic Priorities A & B will be Group led to ensure consistency across all of our businesses.

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 housebuilders. A focus on growing and replenishing the portfolio will also be maintained. 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 its sites.

Read about the **Land Promotion Case Study** on page 30

Strategic Priorities	Link to Group Strategic Priorities
Gain planning permission and convey land to UK housebuilders increasing Hallam Land's business performance in the next 12 months.	C
To replenish and grow the strategic land portfolio.	D
Seek out new investment opportunities which would also increase returns.	D

Property Investment and Development

To obtain, develop and invest in a diverse range of property sector opportunities, while flexibly adapting to customers' needs within the market. With regional offices throughout the UK, the business is very close to the local markets when seeking out future development pipeline opportunities. Our joint venture housebuilding company aims to continue to increase housing delivery and to grow its land portfolio to fuel longer term activity.

Read about the **Property Investment and Development Case Study** on pages 32 and 33

Strategic Priorities	Link to Group Strategic Priorities
Quickly adapt to arising market changes whilst ensuring delivery of our existing committed development pipeline.	C
Grow our future pipeline of development opportunities.	D
Increase housebuilder output to 250 units per annum by 2021.	D

Construction

To compete for and win construction contract work in both the public and private sectors, with a specific focus on securing larger value contracts. With very tight construction margins it is important to continue to grow our client base and to secure repeat business opportunities. Our Plant Hire business aims to continue providing a high quality service and seek out new depot locations to increase network coverage.

Read about the **Construction Case Study** on page 31

Strategic Priorities	Link to Group Strategic Priorities
Continue to bid and win construction work in the North and Midlands.	C
Grow revenues within the Construction subsidiary by concentrating on larger scale contracts	D

Dashboard

A year of solid progress

Group Strategic Priorities	Strategic Objectives	Performance in 2018
(A) **Safety**	Continual review of our systems, ongoing training and development, adoption of best practice and keeping abreast of change.	In 2018 we again demonstrated the high safety standards set across our Group. In particular, the Group's construction activities achieved a very low Accident Frequency Rate score, consistent with 2017, which is due to our management systems, a drive for continuous improvement and an increased investment in learning and development.
(B) **People**	Offer a wide range of long-term career and development opportunities which attract new and retain employees.	The Group's number of new recruits was lower than the previous year in which we acquired Premier Plant and Tool Hire Limited which added two new plant hire depots in Leicester to Group operations. Overall, our total employee numbers continued to increase and now stands at 538. There was 1,187 personal development days during 2018, a slight increase from the previous year, but a number we expect to grow to ensure employees learning and development needs are met.
(C) **Delivery**	Maintaining a maximum gearing level of 30%, utilising available capital efficiently.	A reduction in gearing was strategically targeted throughout the year with gearing successfully reducing from 11% to 6% (net debt/ net assets). We believe this to be an important strategic decision given the current levels of economic uncertainty in the Markets in which we operate.
	To dispose of an annually increasing number of residential plots while market conditions are supportive.	The number of plots sold increased by 63% in 2018, which led to a 23% increase in Land Promotion Profit Before Tax. Sites at Market Harborough and Haverhill performed well, with over 600 plots being disposed of between them.
	To pre-fund and pre-sell our development opportunities to mitigate risk and secure delivery.	The percentage of pre-sold and pre-funded property development increased by 15% in 2018 to 99.57% of GDV delivered in the year. With a percentage so high we believe that the market risk currently relating to the schemes we have in delivery is minimal.
	Constantly monitor the customers and markets in which we operate, to compete effectively and appropriately balance our workflows within these markets.	During 2018 Construction turnover increased by maintaining a balance of workflows between both the private and public sector. However, uncertainty and turmoil in the industry did factor into our construction segment this year which saw profit reduce slightly by 8%.

Read about our **Strategic Priorities** on pages 40 and 41

Aims for 2019	Key Performance Indicators	Key Risks
Continue to invest in training and development and to implement best practice across the Group to maintain a level of zero reportable health and safety incidents.	6 7	1 2 4
To ensure the Group provides necessary training and development at an appropriate level, which gives employees the knowledge to excel in their field of work and adequate opportunity to develop their careers. Ensure that we attract and retain employees of an appropriate calibre to support the sustainable growth of the Group.	6 8 9 10	3 4 6
Whilst investment in both land and property assets will continue we actively review cash requirements on a continual basis. Our low levels of gearing allow us to be opportunistic should appropriate land and property development opportunities present themselves. We expect to continue to trade comfortably within the maximum level of gearing which we have set ourselves as a Board and will continue to recycle capital into investment and development activities.	4 5	3 5 6
We started 2019 with 1,480 plots exchanged for sale and a further 237 plots conditionally exchanged. Given this, the strategic objective of increasing annual disposals is well on track for 2019.	L1 L5 L6	3 5 6 12 13 14
To pre-sell or pre-fund as much development work as is achievable in order to mitigate risk and secure delivery.	D1 D2 D5	3 5 6 10 11
The order book for 2019 looks healthy across all sectors and we hope too be able to further grow turnover as we go forward through actively targeting larger contracts whilst maintaining appropriate levels of return.	C1 C2	3 5 6 9

Read about our **Key Performance Indicators** on pages 46 and 47

Read about our **Risks and Uncertainties** on pages 48 to 55

Dashboard

Group Strategic Priorities	Strategic Objectives	Performance in 2018
(D) **Growth**	Target a dividend cover of over 3 times to grow net assets and profitability through reinvestment in strategic land and development opportunities	We successfully achieved a dividend cover level of 3.14 times, ahead of our 3 times target. Net assets increased by £32m which allowed us to invest further in strategic land and reduced debt levels.
	To increase the scale and investment in land acres and plots over time, with a focus on raising profile in geographical areas which provide the highest returns and increasing the proportion of directly owned land to balance the style of ownership.	The total number of plots with planning permission and in the planning process increased by 7% from 26,511 to 28,418. The overall land portfolio acreage grew by nearly 8%, with each region in which we operate increasing total acreage under control during 2018.
	Explore new investment opportunities, such as logistics and distribution, with the primary focus remaining on residential and mixed use opportunities.	An effort to expand into new markets was made last year, but as expected the residential market continued to provide the core trade in Land Promotion. Our interests in employment, industrial and retail remained stable at circa 190 acres after disposing of 27 acres in the year.
	To actively seek out new opportunities with a focus on innovative joint venture projects.	The future pipeline of work has decreased by 6% as we continue to deliver the opportunities we have secured. Our pipeline of just over £1bn worth of potential future activity provides the comfort that we are able to carry on delivering in to the future. During the year we successfully entered into five new joint venture projects as we actively target this area of growth.
	Invest in our housebuilding residential land portfolio to ensure we have sites available to deliver quality in design and build while providing a first class customer experience.	Our jointly-owned housebuilder's land portfolio slightly reduced last year as a consequence of the increased number of plots sold, which almost doubled since 2017. This is not of concern and we believe that the portfolio is of a size which continues to allow growth as we move through 2019.
	To actively pursue contract values of between £5m and £15m to benefit from improving economies of scale.	Whilst we have successfully increased the average contract size in 2018 the results do not reflect the substantial contract to deliver the Glassworks scheme in Barnsley. This scheme commenced in 2017 at a value of £42m to be delivered across the years 2017 to 2019, we delivered over £20m of value on this contract during 2018.

Read about our **Strategic Priorities** on pages 40 and 41

Aims for 2019	Key Performance Indicators	Key Risks
The strategic objectives will deliver profits that support 3 times dividend cover. This allows us to grow our NAV asset base alongside prudent debt levels to further grow our activities for all stakeholders.	1 2 3	3
Continue to grow the number of acres in the land portfolio we have across the UK, in particular seeking out a greater number of opportunities to directly own an interest in land.	L2 L3 L4	3 5 6 12 13 14
Review and seek out new investment opportunities that will support the continued growth of our land segment.	L2	3 5 6 12 13 14
Review and seek out new development opportunities that continue to grow the future pipeline of work targeting innovative joint venture relationships to help bring forward development collaboratively.	D3 D4	3 5 6 10 11
Continue to provide a first class customer experience and the on-going growth of plots sold during the year with a focus on replenishing and expanding the unit and site portfolio being a continuing priority.	D6 D7	3 4 5 6 12 14
We have a number of contracts currently being tendered or negotiated which are in excess of £10m which, if successful, should positively increase our average contract size.	C1 C3	3 5 6 9

Read about our **Key Performance Indicators** on pages 46 and 47

Read about our **Risks and Uncertainties** on pages 48 to 55

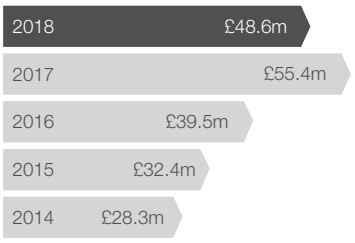
Key Performance Indicators

In line with the Group's strategy, further review and development of our KPIs took place to ensure that there is transparency and a clear understanding of how the Group's performance is measured. This year we have refined our financial and non-financial KPIs and present new segmental KPIs which specifically track the performance of their strategic objectives.

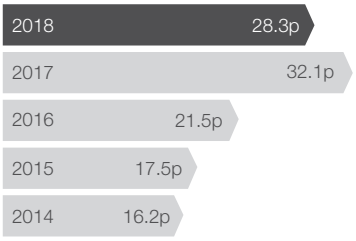
Financial

KPI

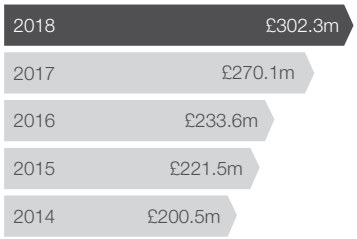
1 Profit Before Tax



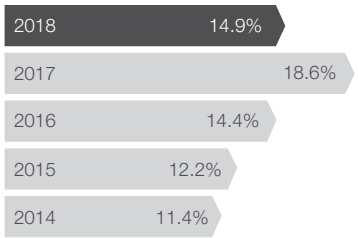
2 Earnings per Ordinary Share



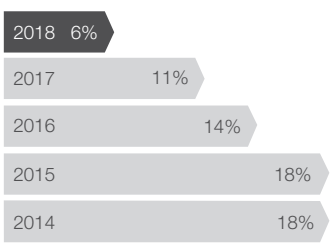
3 Net Assets



4 Return on Capital Employed



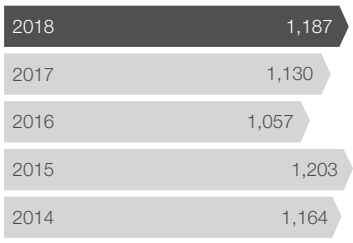
5 Gearing levels



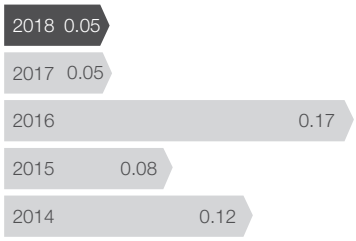
Non-Financial

KPI

6 Personal Development Days



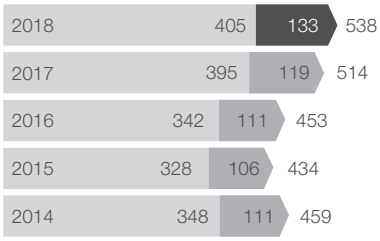
7 Accident Frequency Rate



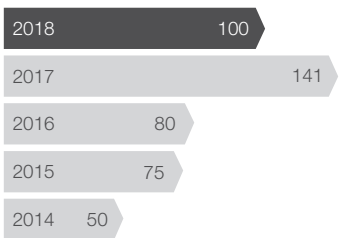
8 Employee Profile

Male

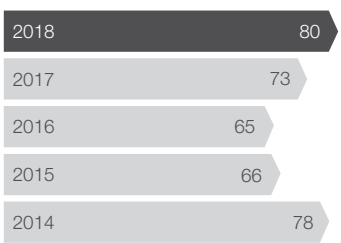
Female



9 Employee Intake



10 Employee Turnover



Operational
Segmental KPIs

Land Promotion

L1	L2	L3	L4	L5	L6
↑24%	↑8%	↓11%	↑49%	↓28%	↑65%
Profit Before Tax £28.5m	Land portfolio 14,325 acres	Plots with Planning permission 16,489	Plots submitted for Planning permission 11,929	Profit per plot £9,400	Plots sold 3,573

Read the **Land Promotion Review** on page 24

Property Investment and Development

D1	D2	D3	D4
↓11%	↓39%	↓18%	↓2%
Total revenue £221.9m	Profit Before Tax £15.9m	Current pipeline £711.0m	Future pipeline £1.0bn

D5	D6	D7
↑15%	↑84%	↓1%
Proportion of Pre-sold / forward funded	Number of Plots Sold (SH) 145	Number of Plots in portfolio (SH) 868

Read the **Property Investment and Development Review** on page 26

Construction

C1	C2	C3
↑15%	↓7%	↑30%
Total revenue £102.9m	Profit Before Tax £9.2m	Average contract size won £5.2m

Read the **Construction Review** on page 28

Risks and Uncertainties

Managing our Risk.

Effective risk management is essential to the achievement of our key priorities and strategic initiatives.

Risk Management controls are integrated across all levels of our business and operations.

Overview

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

The Group operates a system of internal control for risk management within a structured framework. The long-term success of the Group depends on the continual review, assessment and control of the key business risks it faces.

While there is a formal process in place for reporting on risks on an annual basis, the process of risk identification, assessment and response is continuous and therefore if required, risks can be reported to the Group Board outside of the annual process, should events dictate that this is necessary and appropriate.

Risk Appetite

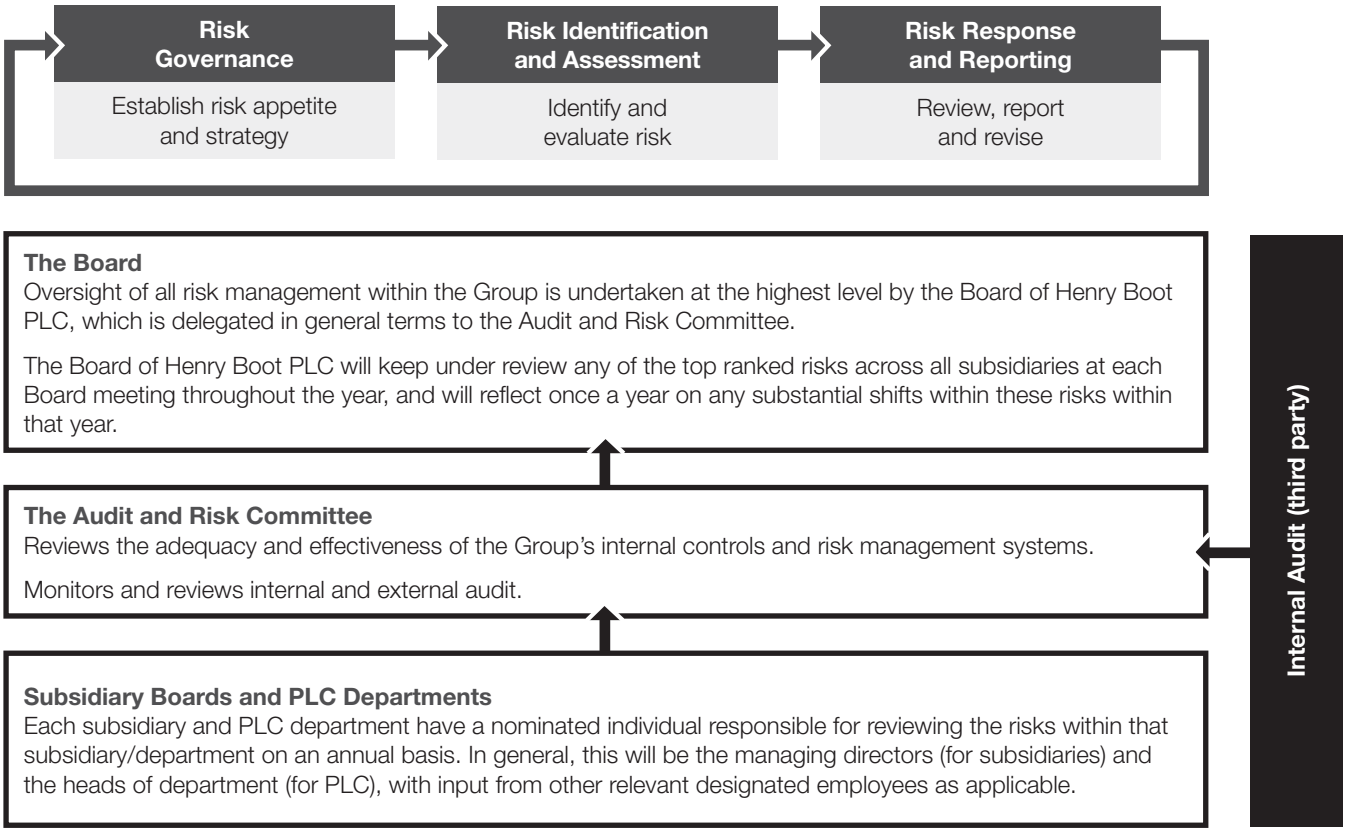
As a Group, Henry Boot takes a cautious approach to risk. An influence on the appetite the Group is willing to take can be defined by what the strategic objectives are, and the risk involved in meeting the objectives.

Risk Management Framework

The principal components of the Group's risk management framework comprise the risk strategy, risk appetite, risk registers and the risk heat map. Although the process of risk identification, assessment and response is continuous and embedded within the day-to-day operations of the businesses and functions, it is consolidated, reported and reviewed at varying levels throughout the Group on an annual basis.

The methodology used is to initially assess the gross (or inherent) risk. This is essentially the worst case scenario, being the product of the impact together with the likelihood of the risk materialising if there are no controls in place to manage, mitigate or monitor the risk. The key benefit of assessing the gross risk is that it highlights the potential risk exposure if controls were to fail completely or not be in place at all. Both impact and likelihood are scored on a rating of one to five using, a scoring matrix.

The Board has ultimate responsibility for risk management, internal controls and review. Part of the Audit and Risk Committee's role is to ensure that the Group's risk management framework and processes on which the Board relies, are working effectively.

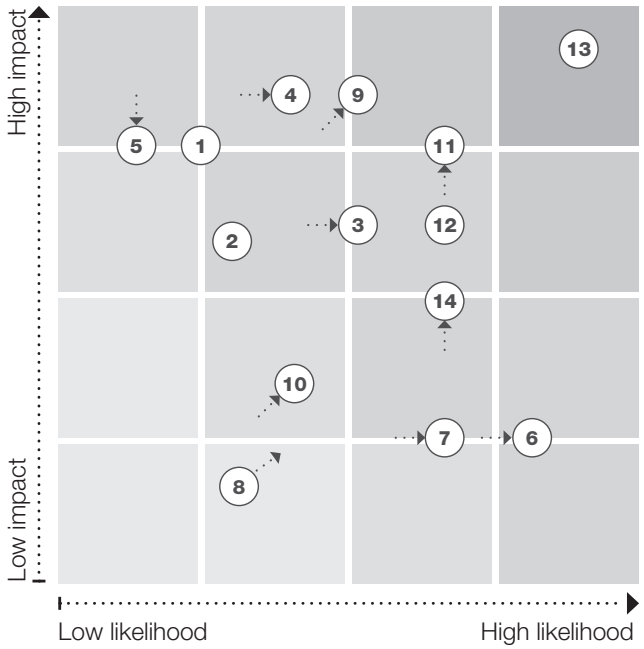


Risk heat map

The risk heat map illustrates the 14 principal risks identified by the Board as having a potential material impact on the Group. The risks have been plotted by the Group Board/Audit and Risk Committee based on a common understanding of the risk appetite of the Group. The risks are presented gross (before taking account of mitigating actions).

Movements from the prior year's ranking are indicated by the arrows.

1. Safety
2. Environmental
3. Economic
4. Personnel
5. Funding
6. UK exit from EU
7. Cyber
8. Pension
9. Construction contracts
10. Property assets
11. Property construction and tenants
12. Land sourcing
13. Land demand
14. Planning policy



Our Risks

To enable stakeholders to appreciate what the business considers are the main operational risks, they are presented in detail below.

Group Risks

Risk and description	Change during the year	Link to Group Strategic Priorities	Mitigation
(1) **Safety** Inherent risk within all of our businesses but most notably within construction activity	—	(A)	— Priority consideration at 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
(2) **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	—	(A)	— The 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
(3) **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, while at the same time creating a healthy market for the construction and plant hire divisions	↑ Macro-economic uncertainty	(B) (C) (D)	— 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
(4) **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	↑ Lower unemployment reducing talent pool	(A) (B) (D)	— 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

Key ↑ Increased ↓ Decreased — No change

Risk and description	Change during the year	Link to Group Strategic Priorities	Mitigation
(5) **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	↓ Gearing reduced to 6%, increasing headroom for investment opportunities	(C) (D)	— The Group has agreed three-year facilities with its banking partners, which run to February 2020 and are backed by investment property assets — A good level of interest from the banks in tendering for the renewed facilities in 2019 — 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
(6) **UK exit from EU** As negotiations unfold we could see further price inflation, reduced market confidence, restrictions to the supply of labour, materials and increased economic uncertainty	↑ Uncertainty remains as decisions become protracted	(B) (C) (D)	— 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
(7) **Cyber** Unauthorised access to systems, hacking, malware and distributed denial of service could all lead to data loss, business disruption, reputational damage or financial loss	↑ Higher frequency of threats and attackers becoming increasingly sophisticated		— Employee awareness updates distributed routinely — Use of software and security products and regular updates thereof — Detailed disaster recovery plans — External vulnerability and threat management reviews
(8) **Pension** The Group operates a defined benefit pension scheme which is closed to new members. While 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	↑ Additional exposure due to GMP equalisation		— Operation of Trustee approved Recovery Plan — While pension schemes are a long-term commitment, regulations require the Group to respond to deficits in the short-term — The move out of gilts provides a cushion should rates interest 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

Our Risks

Segmental risks

Risk and description	Change during the year	Link to Group Strategic Priorities	Mitigation
(9) **Construction contracts** Changes in terms and conditions of standard contracts exposing the company to major financial and design liability risks	↑ Amid declining margins in the construction industry additional focus is being placed on contractual terms	C D	— Preliminary commercial appraisal — Directors closely involved — Standard position set out in guide for staff — Experienced Legal and Commercial management — Project specific tender risk register — Use of PCSA's help mitigate cost and risk.
(10) **Property assets** Not developing marketable assets for both tenants and the investment market on time and cost effectively	↑ Delays caused by planning and statutory services	C D	— 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
(11) **Property construction and tenants** Construction and tenant risk which is not matched by commensurate returns on development projects. Tenants not taking up new lettings due to economic uncertainty	↑ Tenants not taking up new lettings due to economic uncertainty	C D	— 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
(12) **Land sourcing** The inability to source, acquire and promote land would have a detrimental effect on the Group's strategic land portfolio and income stream	—	C D	— 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 portfolio of 14,325 acres with aspiration to grow further — Finance available to support speculative land purchases — Well respected name within the industry that demonstrates success — House builder land portfolio at 868 residential plots

Key ↑ Increased ↓ Decreased — No change

Risk and description	Change during the year	Link to Group Strategic Priorities	Mitigation
(13) **Land demand** A dramatic change in housebuilder funding sentiment and demand for housing can have a marked change on the demand and pricing profile for land	–	C D	— The Group's policy is to only progress land which is deemed to be of high quality and in prime locations — The business is long-term and is not seriously affected by short-term events, or economic cycles — We recognise cyclicality in our long-term plans and operate with a relatively low level of debt — Greenfield land is probably the most sought-after land to build upon — Long-term demographics show a growing trend; therefore demand for land will follow — House builders do have very good land portfolios and can be choosy regarding what they buy and will target prime locations
(14) **Planning policy** Changes in Government or Government policy towards planning policies could impact on the speed of the planning consent process or the value of sites	↑ 5 year land supplies filling up and under resourced planning departments	C D	— 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, which reduced valuation risk in a downturn. 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

Our Risks

Going concern

The current economic conditions create uncertainty for all businesses over several risk areas. As part of their regular going concern review, the Directors specifically address all the risk areas that they consider material to the assessment of going concern.

As highlighted in note 24 to the Financial Statements, the Company meets its day-to-day working capital requirements through a secured loan facility, which includes an overdraft facility, which was renewed with effect from 17 February 2015 for three years, and was increased at that time from £50m to £60m. On 22 August 2017, we agreed an amendment to increase the facility to £72m. The facility renewal incorporated options to extend the facility on agreed terms for two periods of one year. We applied for, and were granted, these extensions in accordance with the terms of the facility, which extended the renewal date from 17 February 2018 to 17 February 2020. As part of our normal facility renewal process, conversations have been undertaken with several banks regarding the renewal in February 2020 and initial feedback suggests that there is a good level of interest from the banks in tendering for the facilities during 2019 either as a sole provider or under a syndicated arrangement.

At the time of approving the Financial Statements the Directors expect that the Company and the Group will renew the facility before it expires and will 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 pages 40 and 41 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 since 2004 and have a 133-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 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 £30m per annum, added over £112m to net assets (an increase of some 59%) and paid 55.75p 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 property development and strategic land promotion 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. Furthermore, our strategic land promotion business commences 2019 with 16,489 plots with planning permission which, at this year's disposal rate of 3,573 plots would imply that we have around four and a half years sales already in hand. It is also anticipated that the property development pipeline of over £1bn GDV will be delivered over a period extending beyond 5 years. Stress testing these forecasts highlights that if economic conditions worsen and developments and land sales do not happen as envisaged, the Group would reduce investment and borrow less and, whilst profitability is lower, the stable property investment rental income and construction segment returns covers most of the Group 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 prospects for the business. We have also reviewed several 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, a health and safety-related breach that causes a fatality (or similar serious outcome). This could not only result in a financial penalty but in reputational damage which could affect the Group's ability to win work. 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 UK 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.

Secondly, 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 must 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 or forward-funded more than 62% of the current development work in progress for 2019.

The Directors have also considered the potential impact of the UK departure from the EU and whilst they accept that the current economic uncertainty surrounding this creates a UK-wide market risk they do not believe that this would lead to an extended downturn long enough to cause the Group any issue with Viability.

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 2022.

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 us?

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 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; the programme supports an approach of acting responsibly while we continue to grow, with continuous improvement lying at the heart of our business.

During 2018 we continued to embed 'The Henry Boot Way'; critical to our ongoing success is the positive engagement of our employees working in collaboration with each other. In 2018 we were delighted to confirm that Henry Boot PLC and Henry Boot Developments obtained Investors in People accreditation; this is in addition to the accreditation already held by Henry Boot Construction and Road Link. Our remaining subsidiaries remain on track to obtain accreditation in the near future.

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

Henry Boot always aims to do the right thing. We continue to devote our time, energy and money to worthwhile causes to ensure that we have a positive impact on society.

John Sutcliffe, Chief Executive Officer

Non-Financial Reporting

We comply with the new Non-Financial Reporting Directive requirements. Information on these matters have been provided across the report, with a breakdown summary in the table below.

CSR Stakeholder	Reporting Requirement	Why it is important to engage	Ways we engage	Stakeholders' key interests
People Read more on pages 58 to 60	— Employee Matters — Respect for human rights — Anti-corruption and anti-bribery matters — Human Rights — Diversity	Our people are fundamental to the Group's success. We recognise that their opinions count towards improving the workplace and the continued performance of the business.	— Employee Surveys — Speak Up Campaign — Working Group forums — Training and apprentice programmes	— Career Opportunities — Workplace improvement — Developing Group inter-working relationships — Investors In People
Health and Safety Read more on page 61		The welfare of our people and stakeholders is integral in our Values. With commitment and structured procedures in place, we provide a safe working environment to all the communities we operate in.	— Internal management systems — Training courses — Workplace and site assessments	— Reducing the risk of accidents at the workplace — Raising awareness of procedures — Endorsing Health & Safety initiatives set by the Group
Our Communities Read more on pages 62 and 63	— Social matters	To understand the changing need and requirements of the communities we operate in. We are then able to develop lasting relationship which can make a positive difference.	— Charity of the Year initiative — Group Charity Committee — Community investment initiatives — Investor with South Yorkshire Community Foundation (SYCF)	— Developing lasting relationships — Promoting awareness of their purpose — Raising funds to support their operations
Environment Read more on pages 64 and 65	— Environmental matters	We engage environmental management systems to achieve our responsibility in protecting and enhancing the environment in all business operations.	— Impact Assessment and Action Plans — Assessment and Remediation Strategies — Maintaining our ISO 14001 standard — Membership of BITC Yorkshire & Humber	— Minimising the Group's emissions — Impact of Group activities on the wider community — Recycling initiatives

For further disclosures on Non-Financial Reporting please see:

Business Model on pages 16 to 19 **Non Financial KPIs** on page 46 **Risks and Uncertainties** on pages 46 to 55

Corporate Responsibility

People

Our people are critical to the success of our Group.

Their talent, commitment and motivation mean that we can enjoy ongoing success. Our Values continue to inspire the day to day behaviours of our employees and wider supply chain, defining how we work together for successful delivery.

Gender diversity

Male	405 – 75%
Female	133 – 25%

Male	56 – 85%
Female	10 – 15%

Male	18 – 86%
Female	3 – 14%

Our approach

Our people are vital to the delivery of our strategic priorities; engagement with our employees and employee satisfaction are crucial to continued improvement and success across all of our businesses. We strive to maintain a culture of inclusivity and 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 Values.

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 wanting 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 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. We continue to keep under regular review our Human Trafficking and Slavery Statement (the 'Statement'), setting out the 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 diligence requirements, and mandatory contract clauses seeking compliance by our supply chain with appropriate anti-slavery measures. Additional measures that have recently been put into place to increase knowledge and vigilance throughout our organisation and supply chain include posters and awareness cards across our sites. We will continue to regularly work with our partners, contractors, suppliers

and other stakeholders to monitor our approach for 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, amongst other characteristics, disability. We have continued the employment, wherever possible, of any person who becomes disabled during their employment with us, and opportunities for learning, career development and promotion do not operate to the detriment of disabled employees.

Gender pay equality

Our gender pay gap is currently 26.14% (2017: 27.22%) 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 proportionately low 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 continue to forge links with local groups and educational establishments to encourage diversity and change perceptions to view our industry as a positive career choice.

The Group are not obligated by statute to report our gender pay gap as none of our legal entities meet the required reporting thresholds. However, we will continue to report voluntarily.

Our pension arrangements

During 2018 we continued to operate two pension schemes; employees are members of either The Henry Boot Staff Pension and Life Assurance Scheme (defined benefit pension closed to new members in 2004 and subject to a salary cap from 2012) or the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution pension).

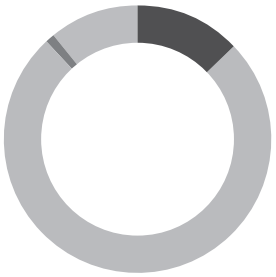
Employees who are members of The Henry Boot Staff Pension and Life Assurance Scheme have the opportunity to join the Henry Boot PLC Group Stakeholder Pension Plan, investing their residual salary i.e. the difference between their actual salary and their capped pensionable salary in The Henry Boot Staff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

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 2018, we auto-escalated our pension contributions to a minimum of 5% matched by the Company; we have no further intention to increase the minimum above this level at present. However, employees can choose to contribute above this level and the Company will match increased contributions up to a level of 8%.

Anti bribery and Anti corruption

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.

As at 31 December 2018 the active membership of the pension arrangements stood at (employees):



The Henry Boot Staff Pension & Life Assurance Scheme	72
Henry Boot PLC Group Stakeholder Pension Plan	419*
Road Link (A69) Limited Pension Plan	5
Stonebridge Projects Limited Pension Plan†	60

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

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

Read about our **Governance Policies** on page 82

Corporate Responsibility

People

Our performance

Growth across all our businesses has seen an increase in headcount to 538 directly employed people across the Group at the end of 2018 (2017: 514).

An integral part of the strength of Henry Boot is the low turnover of employees. The retention and development of our internal talent remains critical to our success and our turnover remains around the average for the UK at 15.2% (2017: 14.2%). Our high retention rates ensure that we have a solid base on which our employees can grow, develop and achieve their potential; we have key pathways in place for our Apprentices and Trainees to ensure our talent pipeline continues to flourish.

In 2018, as a result of our work on The Henry Boot Way, we established with an external consultant a Senior Leadership Development Programme; this was launched with our Managing Directors and has since been delivered to two further cohorts of Directors and Senior Managers, with a further two cohorts to be delivered in 2019. This key investment in our internal talent pool has resulted in a number of our Directors and Senior Managers identifying areas of development which are being addressed via coaching and mentoring programmes.

In 2018 we also held our inaugural Management Conference attended by all Executives, Directors and Senior Managers across all the subsidiary businesses, where best practice was shared and feedback sought on business plans and strategies for the future of the individual companies and the Group as a whole.

In 2018 we delivered 1,187 learning and development days (2017: 1,130 days); in addition to this and in recognition of the diverse range of skills within our workforce there was also an unquantifiable amount of ad-hoc learning and development which takes place on a daily basis on sites, in offices and at depots.

In 2018 we recruited a further 12 trainees and apprentices across our businesses; all trainees and apprentices are enrolled on formal courses of education and have development plans in place to gain operational and technical knowledge from mentors. 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 trainee and apprentice recruits in 2019, primarily as part of our succession plans but also in response to the Apprenticeship Levy.

Health and Safety

As a responsible business, 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, together with protecting the environment in the course of all our areas of operations.

We are proud of our team's expertise and enthusiasm in making this happen, working collaboratively with our project teams and supply chain to drive innovation and achieve best practice.

As a responsible business, we are committed to ensuring that the health, safety and welfare of our employees, stakeholders and the wider public is safeguarded, together with minimising the environmental impact of our business operations. This is done by applying robust health, safety and environmental management controls and best practice. Construction activities operate to an Integrated Management System, approved to OHSAS 18001, ISO 14001 and ISO 9001 which ensures that risks are identified, minimised and where possible eliminated, coupled with continually improving Company performance.

Richard Grafton,
Head of Policy & Compliance

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. Our leadership teams manage all aspects of our business in a safe manner and instigate measures to eliminate or minimise risk and to minimise any environmental impact.

Our performance

Our Accident Frequency Rate (AFR) and Accident Incidence Rate (AIR) performance in our Construction segment remains strong and we are delighted that for the seventh consecutive year, our construction related AFR and AIR for our directly employed staff and operatives is zero.

We are also delighted to report a strong overall (including subcontractors) AFR of 0.05 per 100,000 hours worked and AIR of 102 per 100,000 workers.

This result is a combination of the effectiveness of our management processes, continuous improvement and company Zero Harm initiative.

We continue to benchmark our Construction segment Health and Safety performance against Constructing Excellence Health and Safety Key Performance Indicators (KPI) which show a KPI performance of 100%.

In 2018, our Construction segment achieved re-certification to the OHSAS 18001, ISO 14001 and ISO 9001 standards, following a successful Certificate Renewal audit by Lloyd's Register Limited. This is supported by other Company accreditations, including the Rail Industry Supplier Qualification Scheme, and BSI Verification of our BIM processes to PAS 1192-2. We also continue to be a Considerate Constructors Scheme Partner.

Our strong Health and Safety management culture has resulted in the Company securing a prestigious RoSPA Gold Medal Award for the ninth consecutive year. This is alongside further industry awards including New Build of the Year at the NFB Awards; CIOB awards for Project of the Year, Collaborative Working, Team of the Year and Social Value; a Recognition of Excellence Award at the Yorkshire Property Awards; and three Generation for Change (G4C) Awards.

Corporate Responsibility

Our Communities

We are dedicated to the support of our local communities both in Sheffield and across our UK wide operations.

By listening to our local communities, our customers and our employees we can ensure that we are best placed to understand the changing societal needs and can respond and support initiatives which are key such as health and wellbeing, literacy and unemployment.

We have had a great year fundraising for Dementia UK; I am incredibly proud to have been part of the team that raised such a fantastic sum of money for such an important cause.

Amy Oakley,
Head of Legal (Commercial)
and Company Secretary

Our partnership with Henry Boot PLC has been extremely successful, raising over £30k in one year. We are so grateful to their staff who took part in a range of fundraising activities, such as hosting football tournaments and selling Dementia UK branded Christmas cards. Their enthusiasm and creativity has been brilliant. Thank you to everyone at Henry Boot PLC.

Reshma Vishram,
Corporate Partnerships Executive,
Dementia UK

Our approach

We continue to contribute to the social and economic impacts of the communities in which we operate. 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 non-financial in the form of participation or the donation of our time.

Our key criteria for charitable support 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.

The Group also supports a number of funds which are held and managed by South Yorkshire Community Foundation (SYCF); where a charitable request does not fall within our stated criteria we signpost relevant enquiries to them. We can also use our funds with SYCF in order to collaborate with other supporters to provide grants to applicants who are assessed for eligibility by SYCF. We also make direct donations to discretionary funds held by SYCF for specific purposes, for example in 2018 we made a significant donation to the Young People's Mental Health Fund. Further details are on our website.

We support an annual Charity of the Year which is elected by our employees. We then host a variety of activities during the year to raise money in support of them.

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.

Our Charity of the Year for 2018 was Dementia UK, who provide specialist dementia care and support through their Admiral Nurse network, who work in the community for the NHS, in care homes, hospitals and hospices, helping families to live more positively with dementia and to face the challenges of dementia with confidence and less fear. We raised an incredible £30,617.47 (2017, St Luke's Hospice: £22,539.88) through a variety of fundraising endeavours including the Henry Boot 5-a-side Football World Cup, Henry Boot Gold Day, dress down days, gin tasting and much much more.

We also continued to support our 2017 Charity of the Year, St Luke's Hospice, who are a near neighbour to our head office in Sheffield. They hold a Festival of Light in December each year, a celebration of life and remembrance, to which we offered financial assistance as headline sponsor and also provided a number of employee volunteers on the evening to serve mince pies and mulled wine to those who attended.

This year, the Group contributed £100,227 (2017: £80,503) to charitable causes; £20,282 of which was through our Give As You Earn payroll giving mechanism (2017: £18,956).

We have a Charities Committee which meets on a fortnightly basis to assess direct requests to the business for financial support. During 2018 we have supported and donated to a whole variety of charitable and good causes including:

- Lowfield Primary School, Sheffield to support for their after-school Lego club;
- Whirlow Hall Farm, Sheffield to support the 480 Club which helps to fund local schools to attend residential trips at the Farm;

— Woodfield Primary School, Doncaster to support for their literacy unit with the provision of books;
— The Snowdrop Project, Sheffield, a donation of play and sensory items for the clients of the project;
— The Real Junk Food Project, Sheffield, a donation to their Crowdfunder to develop the Project further;
— Handsworth Grange Community School to support to their Get Active programme and sponsored a new careers hub;
— The Better Together Project, Sheffield, as sponsor of a Christmas lunch for 100+ Sheffield residents who are lonely/vulnerable at Christmas. The Group also provided a number of volunteers to support the event.

Our subsidiary businesses also continue to support directly in the communities in which they operate. Our plant hire company Banner Plant Limited regularly supplies portable toilets and generators to charitable events, notably the Helens Trust 10k run at Chatsworth and the clay pigeon shoot for Whirlow Hall Farm. Banner Plant also provided transport and labour to the Snowdrop Project when they moved locations in Sheffield.

Our construction company, Henry Boot Construction Limited, has wider contractual obligations under the Social Value Act and has provided numerous opportunities in their operational area. We are incredibly proud of the impact our Better Barnsley project has had on Barnsley and the surrounding area, particularly the provision of the Skills Village which is a purpose built training centre which allows individuals including schoolchildren to experience construction first hand and develop their skills.

It is important that we enable our employees to gain valuable development opportunities to develop their skills and allow them to support initiatives that are important to them. Employee volunteering is supported by the Board with the provision of paid time away from the workplace to participate in Company-led volunteering or personal volunteering opportunities. We are involved with Sheffield Business Together, who are developing a collaborative and cohesive approach to how businesses in Sheffield can work together to deliver sustainable and meaningful community projects.

Corporate Responsibility

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.

In 2018, electric car charging points were installed at head office and Construction's office in Dronfield. We are committed to reducing our carbon footprint and actively encourage employees to join our approach by making these charging points available to all employees with hybrid or electrical cars.

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 priorities are to:

— Minimise waste produced;

— Increase recycling; and

— Improve energy efficiency and reduce energy use.

Henry Boot Group CO_2 footprint by source

Henry Boot Group CO_2e emissions	**2018 Tonnes**	2017 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities	**2,261**	2,222	Rise
Scope 2: Electricity, heat, steam and cooling purchased for own use	**847**	1,075	Fall
Total direct emissions	**3,108**	3,297	Fall
Total direct emissions per employee[1]	**6.3 tonnes CO_2e**	6.8 tonnes CO_2e	Fall
Scope 3: Upstream and downstream indirect emissions	**1,059**	1,115	Fall
Total emissions	**4,167**	4,412	Fall
Total emissions per employee[1]	**8.4 tonnes CO_2e**	9.1 tonnes CO_2e	Fall

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

Carbon emissions by segment

Henry Boot Group CO_2e emissions	**2018 Tonnes of CO_2e**	**2018 Intensity Ratio Tonnes of CO_2e**	2017 Tonnes of CO_2e	2017 Intensity Ratio Tonnes of CO_2e	Intensity Basis	Trend
Property investment and development	**993**	**2.00**	994	2.3	per 1,000 sq ft of investment property with communal areas	Fall
Land development	**59**	**1.72**	79	2.32	per employee	Fall
Construction	**2,960**	**17.00**	3,118	38.10	per £1m of turnover	Fall
Group overheads	**155**	**2.45**	221	3.95	per employee	Fall
Total gross controlled emissions	**4,167**		4,412			

Our greenhouse gas emissions for the year ended 31 December 2018 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 2018.

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 decreased by 6% when compared with those of the previous year, this equates to a reduction of 0.7 tonnes per employee.

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

Our Governance

A clear view of our Governance

Operating fairly and equitably in everything we do.

Board of Directors

Read about **Corporate Governance** on pages 74 and 83

Peter Mawson
Non-executive Director

Darren Littlewood
Group Finance Director

Joanne Lake
Deputy Chairman

Gerald Jennings
Non-executive Director

Jamie Boot	John Sutcliffe	James Sykes	Amy Oakley
Chairman	Chief Executive Officer	Non-executive Director	Company Secretary

Board of Directors

Jamie Boot
Chairman

(N) (A) (R)

Date of Appointment
June 1985.

Independent
No.

Brings to the Board
Key strengths:
- Extensive Group and leadership experience.
- Long-term track record in delivering sustainable growth to the Group.

Jamie, who is a member of the founding family, has over 30 years' experience as a Director of Henry Boot PLC. He has been a Director of the Company's four principal operating subsidiaries and his role now sees him responsible for the leadership of the Board.

John Sutcliffe
Chief Executive Officer

Date of Appointment
October 2006.

Independent
No.

Additional Roles Held
Chairman of the Company's four principal operating subsidiaries. Member of the CBI Yorkshire and the Humber Regional Council and Treasurer of the University of Sheffield. Trustee Director of Henry Boot Pension Trustees Limited acting as trustee for The Henry Boot Staff Pension and Life Assurance Scheme.

Brings to the Board
Key strengths:
- Strong financial and leadership knowledge.
- Experience in implementing and overseeing strategy.

John joined Henry Boot as Group Finance Director in 2006 before becoming CEO in 2016. He 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. He is also the Director responsible for all Health, Safety and Environmental matters.

Darren Littlewood
Group Finance Director

Date of Appointment
January 2016.

Independent
No.

Additional Roles Held
Director of the Company's four principal operating subsidiaries.

Brings to the Board
Key strengths:
- In depth Group and financial experience.
- Establishing and delivering strategy whilst protecting assets in the Group.

Darren joined the Group in 1999 prior to his appointment as Group Finance Director in 2016. He became qualified as a member of the Chartered Institute of Management Accountants in 2007 and is responsible for all financial and risk matters relating to the Group. 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

(N) (A) (R)

Date of Appointment
October 2015.

Independent
Yes.

Additional Roles Held
Non-executive Chairman of Mattioli Woods plc, Non-executive Director of Gateley (Holdings) Plc, Non-executive Director of Morses Club PLC and Non-executive Director of Green Man Gaming plc.

See **Nomination Committee disclosure on time commitment** on page 85

Brings to the Board
Key strengths:
- Extensive financial and investment banking experience.
- In depth knowledge on strategy and governance.

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.

Committee Membership

(N) Nomination (A) Audit and Risk (R) Remuneration ● Committee Chairman

James Sykes
Non-executive Director

N A R

Date of Appointment
March 2011.

Independent
No.

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
Key strengths:
- Significant strategic land knowledge.
- Sound financial background and experience.

James' experience as an audit partner is very important in his role as Chairman of the Audit and Risk 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 particularly to Hallam Land Management Limited.

Peter Mawson
Non-executive Director

N A R

Date of Appointment
October 2015.

Independent
Yes.

Additional Roles Held
Non-executive Chairman of Nexus Planning Limited, Non-executive Chairman of Infinite Global Consulting Holdings Limited and advisor to Greater Birmingham & Solihull Local Enterprise Partnership - Paradise project.

Brings to the Board
Key strengths:
- Wide-ranging experience in senior leadership and practitioner roles across the built environment.
- Property development and planning knowledge in both the public and private sector.

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

N A R

Date of Appointment
October 2015.

Independent
Yes.

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

Brings to the Board
Key strengths:
- Widespread industry experience in retail and property.
- Successful track record of delivering significant development projects and working with a wide range of stakeholders.

Gerald has over 30 years' experience in the retail and property industry. Amongst other projects, Gerald was responsible for the delivery of the one million sq ft Trinity Leeds retail scheme.

Amy Oakley
Company Secretary

Date of Appointment
October 2018.

Additional Roles Held
Head of Legal (Commercial) at Henry Boot PLC, Trustee of St Luke's Hospice, Sheffield.

Brings to the Board
Key strengths:
- Significant recent and relevant legal and corporate governance experience.
- Robust knowledge on all aspects of commercial law.

Having obtained her academic qualifications at the Universities of Nottingham and Sheffield, Amy qualified as a solicitor in 2006. She is an experienced lawyer with a demonstrated history of working in-house in the public sector and construction industry. With a broad range of expertise across non-contentious construction matters, contract and commercial law and practice, corporate governance and compliance matters, she has worked at Henry Boot PLC since 2014.

For **Full Biographies** please see **www.henryboot.co.uk**

Senior Management

Nick Duckworth
Hallam Land Management Limited

Date of Appointment
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 Land's then newly established Northampton office. In 1997 Nick set up the South West office of Hallam Land in Bristol and became the Regional Manager. He was appointed a Director in 2002.

Edward Hutchinson
Henry Boot Developments Limited

Date of Appointment
Managing Director in 2018.

Brings to the Role
Edward Hutchinson BSc (Hons), MRICS, started his career in quantity surveying before quickly progressing into project management. He joined Henry Boot Developments in 2004 as a Project Manager rapidly rising to the position of Senior Project Manager in 2006. Edward was appointed a Director in 2012 and became Managing Director in 2018.

Simon Carr
Henry Boot Construction Limited

Date of Appointment
Managing Director in 2009.

Brings to the Role
Simon Carr, BSc (Hons), FRICS, has been with Henry Boot for over 30 years. He is a board member and past national chair of the National Federation of Builders, a board member and past president of the Yorkshire Builders Federation and is a member of the CBI Construction Council. Simon also sits on the board of trustees for the Wentworth Woodhouse Preservation Trust and is a Non-executive Director of Wildgoose Construction Limited.

Giles Boot
Banner Plant Limited

Date of Appointment
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

Date of Appointment
Managing Director 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 housebuilder and property company, Stonebridge Homes Limited, which is a jointly owned company with Henry Boot PLC.

Trevor Walker
Road Link (A69) Limited

Date of Appointment
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

Our focus is to ensure that we continue to create opportunities and manage resources effectively to sustain and promote the long-term success of the Company.

Jamie Boot, Chairman

Dear Shareholders,
2018 has seen strong performance despite the continued challenging economic backdrop. It is the Board's responsibility to guide the Group strategically through this uncertainty and provide leadership and support to the management team. Our focus is to ensure that we continue to create opportunities and manage resources effectively to sustain and promote the long-term success of the Company.

In October 2018 we welcomed Amy Oakley to the boardroom as our new Company Secretary. There have been no Director changes during the year. We have seen the three independent Non-executive Directors who joined the Company in late 2015 continue to add real value and expertise, particularly now that their knowledge of the Group and its operations have strengthened. We continue to work well together and enjoy a healthy level of challenge and debate. You can read about this year's evaluation process and the outcomes on page 75 and the Nomination Committee's review of effectiveness on page 85.

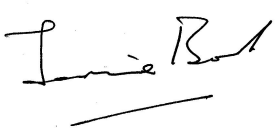
Strategy
In December 2018, the Board held an offsite strategy day. Analysis was undertaken internally on our strengths, weaknesses, opportunities and threats, and consideration given externally to the economic backdrop and marketplaces in which we operate. This allowed the Board to define the key Group strategic priorities and produce a framework which guides our business segments strategies. Further details on the Group's strategic priorities and objectives can be found on pages 40 to 41.

Workforce engagement
Following discussions on the most appropriate way to ensure that our workforce had a voice, the Board agreed that an employee forum would be established. Gerald Jennings, an independent Non-executive Director, will be available to this forum and will provide a link in to the Board. The Working Groups from the 'One Henry Boot' Project proved that this format worked well and we saw high levels of engagement from across the Group. More details on the mechanics and the activities underway will be provided in next year's report.

UK Corporate Governance Code 2018
The Board welcomes the updated Code and the opportunity to increase focus on culture, wider workforce remuneration and succession planning. Through our recent involvement in the Group-wide "One Henry Boot" project (see page 12) and with the introduction of the Senior Leadership Development Programme, we are already making positive strides in these areas and will continue to see these items high on the agenda over the coming 12 months.

The following report sets out our governance processes and compliance statement and the work undertaken by the Board and committees in 2018.

We welcome feedback from our shareholders and I encourage you to get in touch with us on any governance matters. I hope to see many of you at our new AGM venue on 23 May 2019 (see page 174 for full details).



Jamie Boot
Chairman
11 April 2019

Corporate Governance Statement

The Board is committed to achieving high governance standards and following best practice. Where we do not strictly follow the Code, considerable thought is given to ensuring that our approach aligns with the spirit of good governance and 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 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 74 to 83.

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 70 and 71. Roles and responsibilities for each Director can be viewed on the website:

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

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:

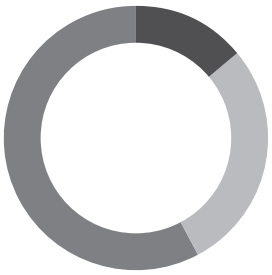
— strategy and objective setting;
— monitoring the effectiveness of internal controls;
— approving the Company's half-year and full-year financial results announcements;
— capital structure and ensuring funding adequacy; and
— the determination and monitoring of the Company's principal and emerging risks.

Specific areas considered by the Board during 2018 are detailed on page 76.

The day-to-day management of the Company's subsidiary businesses 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.

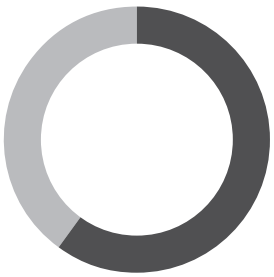
The Operations Board is an executive forum established in January 2016 which focuses on Group working, inter-company co-operation and risk. This board consists of the Chief Executive Officer and the Group Finance Director, together with the four main subsidiary company Managing Directors and the Managing Director of Stonebridge Homes Limited. Regular updates are fed back to the Board.

Board composition



Non-executive Chairman	14%
Executive	29%
Non-executive	57%

Non-executive Board tenure



0–5 years	60%
5+ years service	40%

Board Evaluation

In order to reflect on our performance in 2018, we worked with Independent Audit Limited to design a series of questionnaires to assess the effectiveness of the Board and its individual Directors. The questionnaires were agreed with the Chairman of the Board and completed by each Board member. Results were compiled anonymously and distributed for discussion at the Board meeting.

Areas where the Board scored strongly in 2018:

- **Collaboration –** working together in an open manner with executives being helpful in their approach and non-executives challenging in a constructive way
- **Skills –** recognition of the diverse range of experience and specialisms around the table and being able to successfully leverage the collective knowledge
- **Accountability –** understanding the internal control structures and how the reporting lines and accountabilities work
- **Knowledge of business model –** a good understanding of the model and what drives the company's success

Action areas for 2019:

- **Stakeholder engagement –** increase engagement with employees and senior management and progress the stakeholder engagement policy
- **Risk management strategy –** embed the new risk reporting procedures and encourage identification of emerging risks
- **Strategy –** ensure constant review of strategic objectives, particularly outside of the Strategy Day
- **Reporting –** increase the level of non-financial reporting and reporting of performance against KPIs

Individual Evaluations

Having completed a self-assessment questionnaire and reflected on their own performance throughout the year, each Director had a meeting with the Chairman. This provided a platform to discuss performance and development opportunities and address any concerns.

Chair Evaluation

Peter Mawson, the Senior Independent Director, led a review in to the performance of the Chairman through a series of questionnaires and one-to-one meetings with each Director. The results were very positive and confirmed that Jamie Boot continues to be highly regarded in his role as Chairman.

Committee Evaluations

A questionnaire was developed for each committee and approved by the committee Chair. Individual members completed the questionnaire anonymously and the results were compiled and discussed in each committee meeting. You can read more about the outcomes of those evaluations and the actions identified for 2019 in each committee report.

Overall Effectiveness

Further to the results of the above evaluation process, the Nomination Committee also gave consideration to the:

- Composition of Executive Directors v Independent Non-executive Directors
- Length of service for all Directors
- Time commitments for all Directors
- Skills, knowledge and experience

It was agreed that each Director continues to contribute effectively and is fully engaged with their role, and the Board as a whole operates effectively with the necessary skills and balance it needs to lead and govern the Company (see page 85).

Corporate Governance Statement

What the Board did this year

In addition to the activities outlined in the Chairman's Introduction on page 73, listed below are some of the areas that the Board covered during 2018. Many of these areas relate to the Group's key risks set out on pages 50 to 53.

Area	The Board's strategic / governance role	Outcome and actions during the period
Health and Safety	The Board has oversight of the Group's Health and Safety operations and the associated internal controls. Due to the nature of the industries that we operate in, Health and Safety is a key risk and therefore remains a key area of concern for the Board.	Updates are given at every Board meeting which include incident reporting, mitigation and near misses. Particular attention through the year was given to the 'blowdown' procedure at Barnsley, which involved collaboration with the HSE, the local council and subcontractors. Simon Carr, the Managing Director attended the December Board meeting to outline the risks. The Board also review the annual safety reports prepared by the Group Health, Safety and Environment Manager for each subsidiary including the recommendations and management responses.
Group strategic priorities and objectives	The Group's strategic priorities and objectives are set by the Board. Performance is then monitored against these objectives.	The Group's strategic priorities and objectives are set out on pages 40 to 45. The Board then monitor performance and the delivery of this strategy. One such example is that at every meeting the Board review the total number of interests in sites and the split between purchase, option and agency agreements to ensure that there remains the right level of opportunities to provide future returns and ensure the business is not just focussed on the short-term results.
Risk management and internal control	The Board retains responsibility for ensuring a sound system is in place for internal controls and risk management.	A robust assessment of the principal risks was considered in December 2018. The existing risks were checked for appropriateness and emerging risks were identified. One key emerging risk relates to the changes of standard conditions on construction contracts and the risk exposure this creates. The Board continues to review this risk to ensure it is mitigated in the best way possible. The internal control systems are now independently reviewed following the appointment of an internal auditor. See page 86 for more details.

Area	The Board's strategic / governance role	Outcome and actions during the period
Glass Works Phase 2 construction contracts, Barnsley	Major construction contracts require approval at Board level to ensure that the work is consistent with the overall strategy and to consider the key risks and any potential impact on stakeholders. These key projects are then monitored closely throughout their delivery.	In October 2018, the management team responsible for the second phase of the Glass Works project in Barnsley gave a presentation to the Board. Discussions were had around the key risks and mitigation measures in place. It was agreed that the project was in line with the agreed strategy, provided opportunity for further growth and supported the regeneration of Barnsley. You can read more about Phase 1 of this project on page 31.
Political and external environment	The ability to successfully deliver on strategy depends on a number of external factors including the political and economical environment.	Brexit updates were provided at most Board meetings throughout the year and consideration was given as to how this may impact the Group's businesses over the short and long term. The Board agreed that a prudent approach to debt be taken over this period of uncertainty, supporting the reduction in gearing to 6%. The collapse of Carillion has been monitored and industry trends and lessons learned are discussed with a view to making improvements and pursuing opportunities.
Cyber	The Board has determined that the cyber risk has increased throughout the year due to the higher frequency of threats and attackers becoming increasingly sophisticated. The Board are responsible for ensuring there are management systems in place to monitor and mitigate this risk.	The Board continue to receive updates at every Board meeting on cyber issues and any instances of fraudulent activity are reported. During the year reports have been prepared by the Head of IT outlining results of internal penetration testing, employee communication and phishing trends. Subsequent discussions have taken place on how best to mitigate the evolving threat of cyber crime and external reviews have been commissioned. This is an area that will remain high on the Board agenda over the coming months.

Case Study

The Board in action

Stakeholder interaction.

This year the Board attended the inaugural Henry Boot Management Conference.

The focus of the conference was to present the Group's strategy to all subsidiaries and to share best practice across our three business segments. Deputy Chairman, Joanne Lake, also gave a presentation on how the business interacts with investors and an overview of the role a Non-executive Director undertakes at Henry Boot.

During the day there were various ice breaker activities which gave the Board members a chance to closely familiarise themselves with employees and their roles within the Group. Once the strategy presentations had finished an exercise took place which allowed employees and the Board to review and give constructive feedback on their strategies.

Throughout 2018 the Board interacted with stakeholders through various initiatives:

- Board members attended various charity events, in aid of Dementia UK, which in total raised over £30,000;
- CEO, John Sutcliffe also participated in the Group's charity Golf day, which was an opportunity to meet various suppliers and of course having a drive down the fairway!
- Several Non-executives attended various subsidiary board meetings across the Group;
- Held an investor and analyst day at TECA in Aberdeen, a Developments project;
- Attended site visits across all operations;
- A "CEO & GFD Lunch" gave all employees the chance to meet the Executive Directors.

The Board seeks to actively improve their interaction and development with stakeholders. A continuous effort will take place in 2019 with initiatives, including an employee forum, set to build stronger relationships with our stakeholders.

Corporate Governance Statement

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 Risk, 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 84 to 100 and such details form part of this Corporate Governance Statement.

During 2018, there was 100% attendance at Board and committee meetings.

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

* Attends committee meetings by invitation where appropriate.

Board composition

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 70 and 71. 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. Further to review by the Nomination Committee (see page 85), 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 challenge the Executive Directors through their knowledge of the wider business environment and as a result of their diverse backgrounds.

The Non-executive Directors meet without the Executive Directors being present, usually the evening before the Board meetings and during other occasions throughout the year.

As discussed in more detail in the Compliance Statement on page 83 Jamie Boot is regarded as non-independent having previously served as Managing Director. James Sykes is also not regarded as independent having been appointed to represent the substantial shareholdings of the Reis family interests (see page 104).

Training and development

Formal and tailored inductions are arranged for all new Directors and continued development is monitored by the Chairman as part of the evaluation process. Non-executive Directors are encouraged to familiarise themselves with the Company's business, and throughout the year they have regularly attended subsidiary board meetings. This provides further insight into the business, its culture and an opportunity to meet with the wider senior management team in more informal situations. Site visits to key developments and sites are scheduled throughout the year, you can read more about the engagement with employees and other stakeholders on page 78.

A specific training session was requested by the Board in light of the 2018 UK Corporate Governance Code. DLA Piper UK LLP, the Company's external corporate lawyers, provided an interactive training session after the December Board meeting which highlighted the changes and addressed any potential areas of non-compliance. General updates on regulations and best practice are provided through a mixture of briefings, Board papers and emails.

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

where appropriate. Any potential or actual conflicts of interest are reported to the Company Secretary or the Chairman and are discussed as part of the Company Secretarial Report at every Board meeting. There have been no potential or actual conflicts of interest reported during the year.

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 48 to 55 for more details and the Company's viability statement.

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 (for three 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.

Corporate Governance Statement

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 responsible for that particular operation.

Internal controls
Each operation reviews its own system of internal controls and reports twice a year to the Audit and Risk 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.

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 and Risk 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 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.

Governance Policies
Our Governance Policies (including ethics, whistleblowing, competition law, gifts and hospitality, and staff purchases) are continually monitored and reviewed, with the latest refresh being carried out in January 2018 for issue to all Group employees, external suppliers and service providers. Mandatory online training on anti-bribery and corruption was carried out with all employees and is scheduled for regular refresh. The suite of corporate governance policies was 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 as appropriate.

The Anti Bribery and Corruption, Anti Slavery and Ethics Policies are also relevant for third parties who perform services for or on behalf of the Group. The Group expects those persons to adhere to these policies or have in place equivalent policies and procedures to combat bribery and corruption as well as the threat of slavery in their supply chain.

Accountability and audit
Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 108. The Independent Auditors' Report is given on pages 112 to 120.

The Directors' statement in respect of the business as a going concern and the viability statement is provided on pages 54 to 55.

Fair, balanced and understandable
The Audit and Risk Committee and the Board have assessed the tone, balance and language of the Annual Report and Financial Statements, being mindful of the requirements of the UK Corporate Governance Code and the need for consistency between the narrative section of the document and the Financial Statements. The Board's formal statement on the Annual Report and Financial Statements being fair, balanced and understandable is contained within the Statement of Directors' Responsibilities which can be found on page 108.

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 July 2018 the Company hosted an investor and analyst day, touring the The Event Complex Aberdeen scheme during its construction phase. The visit provided the opportunity to meet the Board's Executive Directors and senior management team with a presentation being given by Henry Boot Development's senior management team.

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. At every Board meeting an update is given to the Non-executive Directors on any feedback from investors, particularly after investor roadshow programmes. The Board receive a report at every meeting on share movements during the period and any market trends. 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, investor presentations and press releases.

The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2018, votes were received representing 69.50% 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 102 to 107.

Significant vote against the re-election of James Sykes

At the May 2018 AGM, we received what we considered to be a significant vote against the re-election of James Sykes being 21.26%.

Since the AGM we have engaged individually with shareholders who collectively represent over 90% of those who voted against the resolution. From these conversations we understand that the concern is largely associated with his role as the Audit and Risk Committee Chairman, given his status as a non-independent Director. As a representative of the Reis family Trust, a significant shareholder of the Company, James is classed as non-independent under the Code.

As a Company, we feel that James is the most qualified to chair the Committee as a Chartered Accountant and Audit Partner with over 30 years' in the industry. He has the knowledge and experience to ask the right questions of management and the auditors, frequently doing so.

We would also like to emphasise that the purpose of his stewardship position with the Reis family is to protect and maximise the returns from their longstanding investment. It is his responsibility to encourage decisions that facilitate the long-term success of the Company for the benefit of the Reis family, but arguably for the benefit of all shareholders. We also have three independent Non-executive Directors who sit on the Board, and the Board committees, with a view to providing a layer of independence.

We will continue to actively engage with investors and welcome any further feedback.

Compliance Statement

The Company has complied with all the principles of the UK Corporate Governance Code 2016 for the year ended 31 December 2018 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.

A.3.1

As previously disclosed, the Chairman was not independent on appointment, having served as Group Managing Director for 29 years. The Board continues to support this appointment based on the extensive knowledge of the Group and industry that Jamie Boot brings to the role and to Board discussions. During the current climate of political and economic uncertainty, Jamie offers a vast amount of experience, having weathered downturns such as the financial crisis in 2008. He guided the Company successfully through this period, reducing levels of gearing and bringing about opportunities that the Company is still benefiting from today.

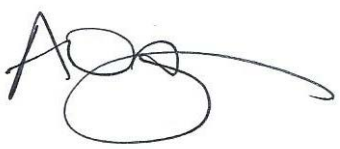
In order to mitigate independence concerns, three independent Non-executive Directors were appointed at the time Jamie became Chairman in 2015. It is this balance of Jamie's experience, mixed with the fresh, external perspective of the three independent Non-executive Directors, that helps to provide a level of balance and challenge around the boardroom table. As a family business that has been in operation for over 130 years, it was also deemed appropriate for Jamie to remain on the Board to represent the interests of him and his family members.

C.3.1 and D.2.1

As Company Chairman, Jamie is a member of both the Audit and Risk, and Remuneration Committees, despite not being independent on appointment. As discussed above, James is the Audit and Risk Committee Chairman and a member of the Remuneration Committee despite not being independent. For the reasons outlined above, the Board believe that both Jamie and James add value to committee meetings, challenge management and act in the best interests of shareholders. On both committees, there remains an overall majority of independent members who have the power to win any majority decisions.

Given our 130-year history as a family business, and as a FTSE SmallCap company, we have adopted alternative solutions to the above provisions where we believe this is appropriate. The Code recognises that good governance can be achieved by other means and the Board believes the approach we have taken is the most appropriate for the Company and its shareholders whilst remaining consistent with the spirit of the Code.

Approved by the Board and signed on its behalf by



Amy Oakley
Company Secretary
11 April 2019

Nomination Committee Report

Statement from the 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 70 and 71.

It is our responsibility to ensure that we have the right people in place to allow the Company to achieve its current and future strategy.

Peter Mawson,
Chairman of the Nomination Committee

Review of the year

The Committee met three times during 2018 with a focus on senior executive succession and overseeing the Senior Leadership Development Programme that was established in 2017. It is our responsibility to ensure that we have the right people in place to allow the Company to achieve its current and future strategy and to make sure that there is an appropriate balance of knowledge, skills and experience to do so.

Other topics considered by the Committee during the year included:

- Appointment of Edward Hutchinson as Managing Director of Henry Boot Developments
- Appointment of Amy Oakley as Company Secretary
- Review of Board effectiveness and Board and committee evaluations
- Review of the Committee Terms of Reference

Following changes to the Board in late 2015 and early 2016, there have been no further Director changes during the last financial year. In October 2018, we welcomed Amy Oakley as Company Secretary, replacing Russell Deards. Committee meeting attendance is shown on page 80.

Succession planning

Succession planning is key to the continued success of the Group. We have continued to work with Quo Group and also Slic Solutions to roll out the Senior Leadership Development Programme. This programme seeks to formally identify and support the talent in our businesses, preparing them with the skills and experience they need to progress through the Company. The programme has been tailored to recognise the long-term requirements of the Group and to align with our culture and expectations of leadership behaviours.

Having focused initially on cohort one, the top layer of executive management, 2018 has seen us extend the programme down to cohort two, the next layer of management. Not only has the Committee welcomed the opportunity to further its understanding of the senior management team, and been impressed with the internal calibre of employees, positive feedback has also been received from the participants involved in the process.

We will continue to monitor progress over the coming years and ensure that there are adequate succession plans in place to cover the key executive positions, senior management roles, and provide a framework to encourage the retention and development of high performing individuals.

Director recruitment process

Having noted feedback from proxy advisors around a lack of disclosure from the Company about appointment processes in the past, the Committee would like to confirm that an independent executive search firm will be used to assist with any new Board appointments. 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.

The Committee recognises the importance of external benchmarking even where there are strong internal candidates. When applicable, details of appointment processes for future Board appointments will be disclosed in future Annual Reports.

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. This is consistent with our values of Respect and Integrity.

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 has regard to the benefits of diversity, including, but not restricted to, gender diversity and the impact this can have on effective decision-making. The Committee and the Board recognise the need to ensure that the business reflects a diverse workforce, at all levels of seniority, whilst always seeking to ensure that each post is offered to the best available candidate.

At 31 December 2018 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 58. The Committee recognises that there is room for improvement in this area and during 2019 will work on an updated Board Diversity Policy which we will share in next year's report.

Board effectiveness and time commitment

The Committee discussed the skills, independence, length of tenure and time commitments of all the Directors and reviewed the results of the 2018 evaluations (see page 75 for more information). During this process, we noted that Joanne Lake has directorships in other publicly listed companies including a chairmanship at Mattioli Woods plc. Joanne has confirmed that her time spent at her other directorships equates to, on average, 11 days a month and therefore the Committee agreed that this leaves sufficient time to carry out her duties as a Director and as Chair of the Remuneration Committee. We do not see any indication that these other directorships negatively impact her contribution to the Company and remain wholly satisfied with her performance and input.

Following the review, the Committee confirm that the performance of the Directors, the Board and its committees, continue to be effective and that all individuals show commitment to their roles. As in previous years, all Directors will seek re-election at the upcoming AGM, biographies are shown on pages 70 and 71.

Actions for 2019

As a result of the Committee evaluation, actions identified for 2019 include:

— Development of an enhanced Board Diversity Policy
— Creation of a Board Skills Matrix to support current and future strategy
— Continuing to oversee the Senior Leadership Development Programme to be rolled out further within the business

Approved by the Board and signed on its behalf by

Peter Mawson
Chairman of the Nomination Committee
11 April 2019

Audit and Risk Committee Report

Statement from the Chairman of the Audit and Risk Committee

Those serving as members of the Audit and Risk Committee (the Committee) for the whole of 2018 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 70 and 71.

It was agreed that the Committee operates effectively and has a strong focus on ensuring the audit plan provides the necessary assurances.

James Sykes,
Chairman of the Audit and Risk Committee

Review of the year

As reported last year we decided to rename the Committee, the Audit and Risk Committee, to reflect the increased responsibilities undertaken around risk management. The Committee met four times during 2018; the March and August meetings remaining predominantly focused around the approval of full-year and half-year results, with the other two meetings reviewing the internal controls arrangements and risk management across the Group. Attendance at these meetings is shown in the table on page 80, the Chief Executive Officer and Group Finance Director were also present at these meetings, attending by invitation.

Internal audit

As explained in last year's report, the Committee decided to engage the services of an independent third party to undertake the duties of an internal audit function. BDO LLP were appointed in February 2018 and an internal audit plan was established. The agreed scope of work covers all key financial, operational and compliance controls and will be delivered over an initial three-year period. Areas covered in the first 12 months have included:

- Risk Management
- GDPR Readiness
- IT General Controls
- Payroll
- Project Management, Development and Investment Appraisal

Detailed reviews have been undertaken in to the above areas with input from the relevant management teams. The findings of the reviews and any recommendations have been considered at length by the Committee and action plans agreed in order to provide the highest level of assurance. Any outstanding actions arising from the reports will be monitored to ensure implementation. Further reviews scheduled over the coming year include Health and Safety, Corporate Governance and a review of procurement in the construction business.

Effectiveness of risk management and internal controls

Risk assessment and risk management reporting across the Group has been reviewed and revised during the year. Details of the key risks which the Group faces, the key controls in place to control those risks and the enhanced system of risk management adopted by the Company are set out in more detail on pages 48 to 55. The Committee, and ultimately the Board, oversee these processes and review the risk reporting and principal and emerging risks on an annual basis.

Following an annual review, the Committee and the Board were satisfied that the internal control arrangements in place were effective and had been strengthened by the appointment of an internal audit function. The internal audit plan will be reviewed on an annual basis to ensure that any areas of concern are prioritised. The internal control arrangements will be monitored twice a year and the internal audit function will be assessed during the course of 2019.

Significant issues

The Committee considered the following key accounting issues and matters of judgement in relation to the Group's Financial Statements and disclosures. In addition to these disclosures, the Independent Auditors' Report on pages 112 to 120 discusses other key audit matters which were also considered by the Committee.

Focus	Matters considered	Committee outcome
Valuation of investment properties	The investment property portfolio accounts for a large proportion of the Group's assets and the assessment is subject to a degree of judgment and assumptions. In line with our accounting policy, investment properties are valued at fair value. Other than houses, the portfolio is valued twice a year by external, independent valuers. Assets under construction are valued by management at fair value using the residual method.	The Committee critically reviewed the valuations and any key movements during the year. Having discussed the valuations during the meeting and considered PwC's assessment, the Committee was comfortable with the values adopted.
Valuation of inventory	Inventories are stated at the lower of cost or net realisable value. Inventories comprise all the direct costs incurred in bringing the individual inventories to their present state at the reporting date, less the value of any impairment losses. 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.	During the year the Committee critically reviewed the carrying value of inventories and judgements in relation to recoverable amounts. Following discussions with PwC, the Committee was satisfied that the carrying values were appropriate.
Construction accounting judgements	As explained more fully in our accounting policy on construction contracts, a significant element of turnover is attributable to construction contracts. 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 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, in particular the appropriateness of the rate of inflation used. Following discussion with external auditors, the Committee was satisfied with the appropriateness of the key assumptions used to calculate the liability.

Audit and Risk Committee Report

Statement from the Chairman of the Audit and Risk Committee

Going concern and viability statement

The Committee reviewed and approved the going concern and viability statement disclosures in the Annual Report and Financial Statements. These items are considered initially during the preparation of the annual budgets and then reviewed by the Committee for inclusion in the Annual Report and Financial Statements. The Strategic Report discloses the conclusion of these reviews on pages 54 to 55.

Terms of Reference

The Committee operates under its agreed Terms of Reference which are reviewed annually and were updated during the year to reflect the added risk responsibilities and Committee name change. The Terms of Reference are available on request.

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 compromise 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. All other services below this threshold are also monitored to ensure that the performance of regulatory requirements is not impaired by the provision of permissible non-audit services.

Non-audit services undertaken by PwC during the year equated to 10.18% of the amount paid for audit fees. This work was in relation to a review of the Group's half-year results, the provision of the TSR comparator group report and a small amount of advisory work on the preparation of the 2018 Remuneration Policy. It was felt appropriate that PwC undertake this work due to their existing knowledge of the requirements. Details of all amounts paid to the auditors for audit services are set out in note 3 to the Financial Statements. KPMG continued to provide the Group's taxation services for the year ended 31 December 2018.

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 Ian Morrison, who replaced Andy Ward in 2018 who had served for five years.

The Committee members also meet the audit partner and other members of the audit team without management present to discuss any potential areas of concern. There are no matters to report in this regard.

The Committee also reviews a letter from the external auditors on an annual basis outlining the measures taken by them to ensure that their independence is not compromised. The Committee review the safeguards and policies in place to maintain a high level of objectivity.

Following a review of all these elements, the Committee is satisfied that the independence and objectivity of the external auditors is not impaired and that the amount of non-audit fees is at a level which does not compromise the overall quality and rigour of the work undertaken.

Audit quality and approach to audit tender

In reviewing the effectiveness of the external auditors, discussions took place between the Committee, the Group finance department, executive functions and the subsidiary company management teams. The Committee Chairman and members also conduct their own ongoing assessment throughout the year through their interaction with the auditors. Further to these discussions, the Committee considers that PwC have carried out a high-level audit, have a good understanding of the Group's businesses and continue to maintain effective working relationships. The Committee remains satisfied with the scope of the external audit plan and the quality of implementation.

The Committee recommended to the Board that PwC be reappointed at the AGM and that the Committee are authorised to fix their remuneration.

The last audit tender was carried out nine years ago when PwC were selected from a shortlist of four firms who tendered. As we approach the ten-year anniversary of this appointment, the Committee have decided that they will conduct a tender process during 2019 with a view to selecting a new firm or continue with the current one at the AGM in 2020.

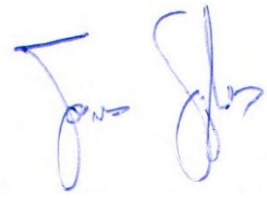
Committee evaluation

As described on page 75, the Committee undertook an internal evaluation of its performance. It was agreed that the Committee operates effectively and has a strong focus on ensuring the audit plan provides the necessary assurances.

Actions identified for 2019 include:

- Embed the new risk reporting procedures and actions arising from the Risk Management review
- Oversee the tender process for the external auditors appointment
- Continued assessment of the effectiveness of the recently-appointed internal audit function

Approved by the Board and signed on its behalf by



James Sykes
Chairman of the Audit and Risk Committee
11 April 2019

Directors' Remuneration Report

Statement from the Chairman of the Remuneration Committee

Those serving as members of the Remuneration Committee (the Committee) for the whole of 2018 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 70 and 71.

As a committee, we establish fair and balanced reward in line with strategic objectives and business performance.

Joanne Lake,
Chairman of the Remuneration Committee

On behalf of the Board and the Remuneration Committee (the Committee), as Chairman of the Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018.

Our people are integral to everything we do as a Group. They have yet again proven this by playing their part in producing another strong set of results. The markets we operate in have been slightly more challenging with the uncertainty created by Brexit but the trust we have placed in our people and strategic objectives have guided us to another year of consistent delivery.

In 2018 we achieved:

- profit before tax of £48.6m;
- basic earnings per share of 28.3p;
- Return on Capital Employed of 14.9%;
- dividends for the year increasing 12.5% to 9.00p;
- dividend cover above our long-term goal of three times;
- a further increase in the size of our strategic land portfolio to over 14,000 acres with planning permission on over 16,000 units;
- a strong performance and forward order book in our construction business last year.

Directors' Remuneration Report

Statement from the Chairman of the Remuneration Committee

Executive remuneration outcomes for 2018

In the current market conditions, the 2018 results remained impressive, delivering £48.6m of pre-tax profit. In 2018 the combined overall remuneration of the Executive Directors, on a like-for-like basis, increased by 8.7%, and 3.2% including the costs of our Non-executive Directors.

Salaries of the Executive Directors were increased by 5.1% at 1 January 2019 and by 4.9% at 1 January 2018 compared to an increase across the Company in total of 7.5% during 2018 and of 4.1% at 1 January 2019.

Bonuses were paid in line with the Remuneration Policy approved at the AGM in May 2015. Target profit was set at £42.2m. The profit before tax of £48.6m exceeds the target by 15.2% and gives rise to a bonus of 72.7% of salary for the year ended 31 December 2018.

In addition, the Remuneration Committee set individual targets as laid out on pages 94 to 95. The Remuneration Committee considers that John Sutcliffe achieved 97.5% of these targets and Darren Littlewood achieved 92.5%.

Therefore, the total bonus for John Sutcliffe is 92.2% of salary and for Darren Littlewood is 91.2% of salary.

Long Term Incentive Plan (LTIP) shares vesting, based on performance for the three years to 31 December 2018, 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 2018 was:

i. Earnings Per Share growth was 62% against the target of 17% (being inflation growth plus 7%) and, therefore, this part of the award vests in full;

ii. Return On Capital Employed was 18% on average against the maximum target of 13% and, therefore, this part of the award vests.

iii. Total Shareholder Return of 27% was in the upper quartile when set against the comparator group and, therefore, 61% of this part of the award vests.

Therefore, the award of LTIP shares to John Sutcliffe is 153,740 shares, and to Darren Littlewood 61,294 shares.

Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration Policy during 2018, it is in line with that which was approved by shareholders at the AGM in 2018. The Remuneration Policy will be reviewed and updated and then put to a shareholder vote again at the AGM in 2021.

The application of Directors' Remuneration Policy for 2019

— Following a review by the Committee, John Sutcliffe was awarded a 1.28% pay rise and Darren Littlewood was awarded a 12.5% pay rise. The Non-executive Directors were awarded a 3.0% uplift in basic salary or fees for the year commencing 1 January 2019. The average across the workforce as a whole was 4.1% at 1 January 2019. The rise for Darren Littlewood relates to his 4 year transitional plan to Group Finance Director and is in line with previous disclosures. The Committee anticipates reviewing and uplifting the salary for Darren Littlewood next year by £25,000.

— The bonus opportunity for the Executive Directors is detailed in the Remuneration Policy and will apply as laid out in the policy.

— The profit before tax target is considered commercially sensitive and will therefore be disclosed retrospectively, as we have done in respect of prior years.

— LTIPs will be awarded under the 2015 scheme rules which include clauses in respect of clawback and malus in line with generally accepted guidelines and the updated UK Corporate Governance Code. The performance targets will be in accordance with the Remuneration Policy. It is expected that the award will be at a level equal to 100% of salary.

Clawback and malus conditions will be applied to both the bonus and LTIP elements of remuneration in 2019. 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 2019.

The report has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The report sets out payments and awards made to the Directors and details the link between performance and remuneration for 2018. 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 89 to 100 of the Directors' Remuneration Report is subject to audit.

Summary of the Committee's activity during 2018

During 2018 the Committee:

— approved Executive Directors' base pay for 2019. Salary increases at 1 January 2019 were £5,000 (1.28%) for John Sutcliffe to £395,000, and £25,000 (12.50%) for Darren Littlewood to £225,000. The rise for Darren Littlewood relates to his transition in role to Group Finance Director and is in line with previous disclosures. The Committee anticipates reviewing and uplifting the salary for Darren Littlewood next year by £25,000;
— reviewed senior management base pay for 2019 and monitored wider workforce remuneration, including information on average annual salary increases across the Group and gender pay gap data;
— conducted a review of Executive Directors' performance against the Annual Bonus criteria and LTIP metrics and set targets and criteria for the upcoming year;
— approved the grant of CSOP options to all eligible employees across the Group and updates to the CSOP Rules to facilitate the administration process;
— reviewed the Committee Terms of Reference; and
— undertook an evaluation of Committee performance in 2018 and agreed actions for 2019.

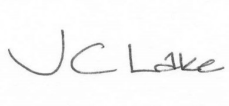
Should you have any queries or comments, then please do not hesitate to contact me or the Company Secretary as we most certainly value dialogue with our shareholders.

Our Directors' Remuneration Policy, which was approved at the AGM on 24 May 2018, remains unchanged and is available to view, and download, on the website:

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

We strongly believe that our Directors' Remuneration Policy is closely aligned to the achievement of the Company's business objectives and therefore to our shareholders' interests.

I therefore hope that you will be able to support the Directors' Remuneration Report at this year's AGM.



Joanne Lake
Chairman of the Remuneration Committee
11 April 2019

Directors' Remuneration Report

Annual Report on Remuneration

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

Single total figure of remuneration (Audited)

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

Year ended 31 December 2018	Salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives[1] £'000	Pension-related benefits £'000	Total £'000
John Sutcliffe	**390**	**33**	**360**	**401**	**78**	**1,262**
Darren Littlewood	**200**	**26**	**182**	**160**	**39**	**607**
Jamie Boot	**85**	**—**	**—**	**—**	**—**	**85**
James Sykes	**45**	**—**	**—**	**—**	**—**	**45**
Joanne Lake	**45**	**—**	**—**	**—**	**—**	**45**
Gerald Jennings	**45**	**—**	**—**	**—**	**—**	**45**
Peter Mawson	**45**	**—**	**—**	**—**	**—**	**45**
	855	**59**	**542**	**561**	**117**	**2,134**

Year ended 31 December 2017	Salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives[2] £'000	Pension-related benefits £'000	Total £'000
John Sutcliffe	388	32	461	318	78	1,277
Darren Littlewood	175	25	208	—	34	442
Jamie Boot	82	—	—	91	—	173
James Sykes	44	—	—	—	—	44
Joanne Lake	44	—	—	—	—	44
Gerald Jennings	44	—	—	—	—	44
Peter Mawson	44	—	—	—	—	44
	821	57	669	409	112	2,068

1. The value of long-term incentives has been estimated using the average share price for the period 1 October 2018 to 31 December 2018 of £2.61.
2. The value of long-term incentives has been adjusted from the average share price for the period 1 October 2017 to 31 December 2017 of £3.12 to the price on the day the shares were issued of £2.92.

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 94 to 95.
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 of the reporting year.
Pension-related benefits	Pension-related benefits represent the cash value of pension contributions or salary in lieu of contributions received by Executive Directors at a rate of 20% of salary.

Individual elements of remuneration

Base salary and fees

Executive Directors

Salary effective from	**1 January 2019 £**	1 January 2018 £	1 January 2017 £
John Sutcliffe	**395,000**	390,000	387,523
Darren Littlewood	**225,000**	200,000	175,000

On 1 January 2017, the basic salary increase for the Chief Executive Officer was 3.0%, on 1 January 2018 the basic salary increase was 0.64% and on 1 January 2019 the basic salary increase was 1.28%. For the Group Finance Director increases in 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 5.0% from 1 January 2017, 4.7% from 1 January 2018 and 4.1% on 1 January 2019.

The Company's policy on base salary continues to be to provide a fixed remuneration component which is comparable with similar companies, taking into account the need to attract, motivate and retain Directors of an appropriate calibre to achieve the Company's objectives without making excessive payments. When setting the pay of Directors, the pay and employment conditions of employees across the Group are taken into account by the Committee. As with employees, Directors' rewards are based on their role, their performance and the market rate for the job. Directors' basic salaries and benefits, where applicable, are reviewed annually, taking into account individual performance and published remuneration information.

Benefits include the provision of a company car or a cash allowance alternative, permanent health insurance and private medical insurance. The value of benefits is not pensionable and is set out for each Director in the table of Directors' remuneration.

Non-executive Directors

Salary effective from	**1 January 2019 £**	1 January 2018 £	1 January 2017 £
Jamie Boot	**87,550**	85,000	82,400
James Sykes	**46,350**	45,000	43,709
Joanne Lake	**46,350**	45,000	43,709
Gerald Jennings	**46,350**	45,000	43,709
Peter Mawson	**46,350**	45,000	43,709

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 Risk, and Remuneration Committees and the Senior Independent Non-executive Director. Any newly appointed Non-executive Director is expected to serve for an initial period of at least three years. Terms and conditions of appointment relating to Non-executive Directors are available for inspection at the registered office of the Company.

Bonus

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

Directors' Remuneration Report

Summary of bonuses earned for 2018 (Audited)

Measure	Maximum award as % of salary	Targets and bonus potential for 2018			Actual Performance	Actual bonus value achieved (% of salary)	
		% of target	2018 target range	Bonus payable as % salary		John Sutcliffe	Darren Littlewood
Profit before tax	100%	90%	£38.0m	10%	£48.6m	72.7%	72.7%
		100%	£42.2m	50%			
		120%	£50.6m	80%			
		150%	£63.3m	100%			
Personal objectives	20%		See below			19.5%	18.5%
Bonus amount achieved as % salary						92.2%	91.2%
Bonus amount earned						£359,580	£182,400
Maximum bonus as % salary						120%	120%
Bonus amount achieved as % maximum						76.8%	76.0%

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

Bonuses were paid in line with the Directors' Remuneration Policy approved at the AGM in May 2015. Target profit was set at £42.2m, 17% ahead of the target set in 2017.

The Remuneration Committee also set individual targets as follows:

2018 Personal Objectives – John Sutcliffe

1	Create and lead the delivery of the Group's strategy via the implementation of the Group's key business priorities.
2	Communicate the Group's Purpose, Vision and Values both internally and externally.
3	Develop and refine succession plans whilst progressing with identification and development of successors.
4	Support good Health and Safety practices around the Group, to reduce the risk of any major Health and Safety incidents occurring.
5	Attract new shareholders to the register and create stronger relationships with existing shareholders and analysts.
6	Support legal, regulatory compliance and initiatives around the Group which meet related deadlines.
7	Endorse initiatives that reduce the gender pay gap and promote diversity within the Group.

2018 Personal Objectives – Darren Littlewood

1	Support delivery of the Group's strategy via the implementation of the Group's key business priorities.
2	Increase the Group's overall interest cover.
3	Ensure no breach of bank covenants while improving and extending the Group's existing and potential banking relationships.
4	Improve financial reporting to the business, investment community and other stakeholders.
5	Engage with shareholders and analysts to create a stronger relationship to the Group.
6	Oversee the development of the finance team's profile and skillsets.
7	Enhance the external audit relationship and manage the implementation of the internal audit service.
8	Manage the Group's tax position and strategy efficiently.

The Remuneration Committee considers that John Sutcliffe achieved 97.5% of these targets, resulting in a bonus of 19.5% of salary and that Darren Littlewood achieved 92.5%, resulting in a bonus of 18.5%. The profit before tax of £48.6m exceeds the target by 15.2% and this, combined with the personal targets, gives rise to a bonus of 92.2% of salary for John Sutcliffe and 91.2% for Darren Littlewood, for the year ended 31 December 2018.

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

Read more details at
www.henryboot.co.uk

31 December 2019 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 2019 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 the Group strategy. These objectives will be disclosed retrospectively in the 2019 Directors' Remuneration Report.

Directors' Remuneration Report

Long Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2016, based on performance for the years 2016, 2017 and 2018, which are expected to vest in April 2019. The LTIP shares in this award are subject to the following performance criteria:

i. EPS growth ahead of inflation: EPS growth was 62%, which exceeded RPI growth by more than 52% and therefore this 33.3% of the award became eligible;

ii. Average annual return on capital employed above 13%: this was 18% 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 26.7%, putting it between the median and the upper quartile within the comparator group and therefore 60.7% of the 33.4% award became eligible. The comparator group is a bespoke group consisting of 19 companies across the sectors in which we operate, and a number of appropriate FTSE indices.

Together, these resulted in LTIP awards of: John Sutcliffe 153,740 shares; and Darren Littlewood 61,294 shares; and gave rise to the award values in the single total figure of remuneration at 31 December 2018 on page 92.

LTIP awards granted in the year (Audited)

	Type of award	% of salary	Number of shares	Face value to grant at £2.94 per share	% of award vesting at threshold
John Sutcliffe	LTIP – nil cost option	100%	132,502	389,556	25%
Darren Littlewood	LTIP – nil cost option	100%	67,950	199,773	25%

Awards expected to be granted for the financial years 2019 – 2021 in 2019

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

The performance criteria for these awards are laid out in the Remuneration Policy which can be viewed, and downloaded, on the website:

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

Pension entitlement

John Sutcliffe is a 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 (2017: £nil). The annual allowance for tax relief on pension savings applicable to John Sutcliffe in 2018 was £nil and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £78,000 (2017: £77,505).

Darren Littlewood is a member of The Henry Boot Staff Pension and Life Assurance Scheme (Defined Benefit) (the Scheme) and his normal retirement date would be in 2042, aged 67. His accrued pension entitlement at 31 December 2018 was £25,265 and the pensionable salary available for use within the Scheme at 31 December 2018 was £57,895. 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 £15,150. The annual allowance for tax relief on pension savings applicable to Darren Littlewood in 2018 was £15,150 and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £13,271.

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 (Audited)

		At 31 December 2018					
	At 31 December 2017 Legally owned	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	5,861,046	5,665,002	—	—	5,665,002	**15,562**	**15,562**
John Sutcliffe	605,169	694,187	—	470,136	1,164,323	**423**	**709**
Darren Littlewood	50,000	82,500	6,666	211,059	300,225	**88**	**321**
James Sykes	20,000	20,000	—	—	20,000	**104**	**104**
Joanne Lake	10,710	10,710	—	—	10,710	**56**	**56**
Gerald Jennings	3,750	9,650	—	—	9,650	**50**	**50**
Peter Mawson	10,000	10,000	—	—	10,000	**52**	**52**

The share price at 31 December 2018 was 240.5p. The salary used for this calculation is that which commences on 1 January 2019.

1. Details of Director shareholding requirements can be found in the Remuneration Policy, which can be viewed on the website:

Read more details at
www.henryboot.co.uk

Directors' shareholdings (Audited)

The beneficial interest of the Directors in the share capital of the Company at 31 December 2018 was as follows:

	2018 Number of shares		2017 Number of shares	
	Ordinary	**Preference**	Ordinary	Preference
Jamie Boot	**5,665,002**	**14,753**	5,861,046	14,753
John Sutcliffe	**694,187**	**—**	605,169	—
Darren Littlewood	**82,500**	**—**	50,000	—
James Sykes	**20,000**	**—**	20,000	—
Joanne Lake	**10,710**	**—**	10,710	—
Gerald Jennings	**9,650**	**—**	3,750	—
Peter Mawson	**10,000**	**—**	10,000	—

Between 31 December 2018 and 22 March 2019, being a date not more than one month prior to the date of the Notice of the AGM, the only change in the beneficial interests of any Director was for Gerald Jennings who purchased 2,000 Ordinary shares giving him a new total of 11,650 Ordinary shares.

Directors' Remuneration Report

Long Term Incentive Plan awards (Audited)

Performance shares

	Plan	Date of grant	Market price at date of grant	At 1 January 2018	Grant during the year	Exercised during the year	Lapsed during the year	**At 31 December 2018**	Earliest/ actual vesting date	Market valuation on vesting £
Jamie Boot[1]	2015	01/06/2015	228.6p	31,228	—	31,228	—	**—**	01/06/2018	91,186
				31,228	—	31,228	—	**—**		91,186
John Sutcliffe	2015	01/06/2015	228.6p	109,060	—	109,060	—	**—**	01/06/2018	318,455
	2015	21/04/2016	212.6p	176,969	—	—	—	**176,969**	21/04/2019	—
	2015	24/04/2017	241.2p	160,665	—	—	—	**160,665**	24/04/2020	—
	2015	25/04/2018	294.3p	—	132,502	—	—	**132,502**	25/04/2021	—
				446,694	132,502	109,060	—	**470,136**		318,455
Darren Littlewood	2015	21/04/2016	212.6p	70,555	—	—	—	**70,555**	21/04/2019	—
	2015	24/04/2017	241.2p	72,554	—	—	—	**72,554**	24/04/2020	—
	2015	25/04/2018	294.3p	—	67,950	—	—	**67,950**	25/04/2021	—
				143,109	67,950	—	—	**211,059**		—

1. Jamie Boot LTIP award was granted when he was an Executive Director and is no longer eligible to receive an award in the future.

Sharesave Plan

	Plan	At 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	**At 31 December 2018**	Exercise price	Date from which exercisable	Expiry date
Darren Littlewood	2010	6,666	—	—	—	**6,666**	270.0p	01/12/2020	31/05/2021
		6,666	—	—	—	**6,666**			

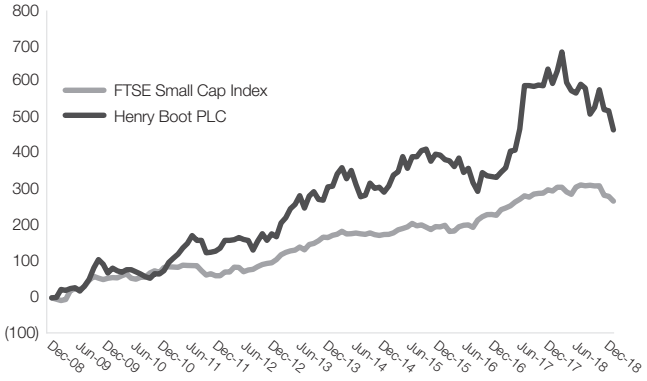
Statement of voting at the last Annual General Meeting (AGM)

The Company remains committed to shareholder dialogue and takes an active interest in voting outcomes. At the AGM on 24 May 2018 the resolution put to shareholders on an advisory basis to receive and approve the 2017 Directors' Remuneration Report was passed. The number of votes in favour of that resolution was 77,802,883 (87.03% of votes cast), against 11,595,454 (12.97% of votes cast) and withheld 3,098,702. The total number of votes cast in respect of this resolution represented 67.15% of the issued share capital.

Share price

The middle market price for the Company's shares at 31 December 2018 was 240.5p and the range of prices during the year was 230.0p to 347.0p.

Ten-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
2018	**1,262**	**76.8**	**87**
2017	1,277	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		1.28%	7.5%
Taxable benefits	1	—	—
Annual bonus 2017	2	12.1%	27.34%
Annual bonus 2018	2	(22.0)%	0.94%

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. The workforce comparison is every member of staff who receive a salary excluding the Chief Executive Officer.

Note 2

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:

	2018 £'000	2017 £'000	% change
Ordinary dividends	**12,069**	10,585	14%
Profit attributable to owners of the business	**37,505**	42,368	(11%)
Overall expenditure on pay	**33,741**	30,630	10%

Directors' Remuneration Report

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 four times during the year. Attendance at this meeting by the Committee members is shown in the table on page 80 and further details can be found below.

Membership of the Committee

Those serving as members of the Committee for the whole of 2018 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 70 and 71. Gerald Jennings, Peter Mawson and I are independent Non-executive Directors of the Board, whilst 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 2018 John Sutcliffe, Chief Executive Officer, attended the meetings with the Committee, as requested, in order to assist on matters concerning other senior Executives within the Group. John Sutcliffe was not present during any part of the meeting where his own remuneration was discussed.

Committee Evaluation

As described on page 75, the Committee undertook an internal evaluation of its performance. It was agreed that the Committee has a strong focus on linking reward to performance, operates effectively with good levels of contribution from all members.

Actions identified for 2019 include:

— increased reporting on pay levels and bonuses across the Group, particularly for subsidiary boards;

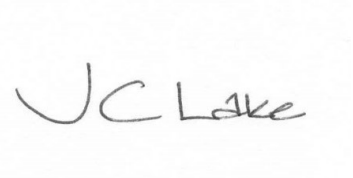
— incorporation of the new UK Corporate Governance Code requirements.

External Advisers

The Committee's main advisers are set out below:

Adviser	Area of advice	Fees paid
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.	£3,500
PwC	Advice on Remuneration report and policy. The Remuneration Committee considers that the advice PwC has given throughout the year is legal advice in compliance with relevant legislation.	£8,000

Approved by the Board and signed on its behalf by



Joanne Lake
Chairman of the Remuneration Committee
11 April 2019

Directors' Report

The Directors' Report for the financial year ended 31 December 2018 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's business along with a description of the principal risks and uncertainties it faces. The Strategic Report for the year ended 31 December 2018 is set out on pages 12 to 65.

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 74 to 83.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 122. The companies affecting the profit or net assets of the Group in the year are listed in note 36 to the Financial Statements.

The Directors recommend that a final dividend of 5.80p per ordinary share be paid on 29 May 2019, subject to shareholder approval at the 2019 AGM to be held on 23 May 2019, to ordinary shareholders on the register at the close of business on 26 April 2019. If approved, this, together with the interim dividend of 3.20p per ordinary share paid on 19 October 2018, will make a total dividend of 9.00p per ordinary share for the year ended 31 December 2018. Further details are disclosed in note 10 to the Financial Statements on page 141.

Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 132 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 17, 24, 25 and 27 to the Financial Statements.

Going concern and viability statement

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Strategic Report on pages 54 to 55.

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 2018 and as at the date of this Annual Report and Financial Statements can be found on pages 70 and 71.

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 2018, are disclosed in the Directors' Remuneration Report on pages 89 to 100.

Between 31 December 2018 and 22 March 2019, being a date not more than one month prior to the date of the Notice of the AGM, there has been one change in the beneficial interest of any Director. Gerald Jennings purchased 2,000 ordinary shares on 18 January 2019, see page 97.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 96 to 98.

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 23 May 2019 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.

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 our employees to maximise their career potential and to achieve their aspirations. 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. During 2018 we launched our Senior Leadership Development Programme to identify those within our business who are key and critical to our success, this continues to be rolled out to all senior leaders within the Group. It is our preference to promote through our current workforce where possible. We have a competitive and engaging employment offering which ensures that we have a low turnover of employees that is also attractive to external candidates wishing to join our Group, including flexible working arrangements, profit share, 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 individual 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 continued to increase in 2018 following the launch of 'The Henry Boot Way'.

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. From 2018, all eligible employees are invited to participate in Sharesave and the Company Share Option Plan on an annual basis. Details of employee share schemes are set out in note 30 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.

Directors' Report

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 61.

Relationship with stakeholders

The recent work on 'The Henry Boot Way' identified our stakeholders as our shareholders, employees, pensioners, customers and suppliers. We engaged with all our stakeholder groups through various channels to communicate our refreshed values which represent our way of working. The feedback received acknowledge 'The Henry Boot Way' to be true to our identity and behaviour towards stakeholders. At Board level, we are conscious of our Director duties under s.172 Companies Act 2006 and are mindful of these responsibilities when making decisions that impact those around us. You can read more about our work with our stakeholders in our CSR Report on pages 56 to 65. We are looking to review the Board Stakeholder Policy during 2019 and will provide a further update on this next year.

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 65. 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 22 March 2019, 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]	20,702,155	15.55
Canaccord Genuity Group Inc	8,290,725	6.28
FMR LLC	6,550,000	4.99
The Fulmer Charitable Trust[2]	5,739,580	4.40

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.

These figures represent the number of shares and percentage held as the date of notification to the company.

Details of Directors holdings can be found on page 97.

Shares held by the Henry Boot PLC Employee Trust

The Company has an established Employee Trust (the Trust) for the benefit of the Group's employees to satisfy existing grants by the Company under various share-based payment arrangements. Details of the Company's share-based payment arrangements are provided in note 30 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout 2018 were Jamie Boot, John Sutcliffe, and Darren Littlewood, with Amy Oakley replacing Russell Deards on 18 October 2018, 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 2018, the Trust has waived the right to receive from the Company all dividends (if any) in respect of the shares held within the Trust. During the year the Trust has purchased 150,000 ordinary shares in the Company in order to satisfy upcoming grants. Further details are provided in note 32 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 65.

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, PwC, have signified their willingness to remain in office and resolutions reappointing them as auditors (Resolution 11) and authorising the Audit and Risk Committee to fix their remuneration (Resolution 12) will be proposed at the AGM.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 108. The Independent Auditors' Report is given on pages 112 to 120.

Annual General Meeting (AGM)

The AGM of the Company will be held at DoubleTree by Hilton Hotel Sheffield Park, Chesterfield Road South, Sheffield, S8 8BW on Thursday 23 May 2019 at 12.30pm. The Notice of the AGM can be found on pages 176 to 181. It is also available at **www.henryboot.co.uk**, where a copy can be viewed and downloaded.

Additional shareholder information

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

The information below summarises certain provisions of the current Articles of Association of the Company (as adopted by special resolution on 27 May 2011) (the Articles) and applicable English law concerning companies (the Companies Act 2006). This is a summary only and the relevant provisions of the Companies Act 2006 or the Articles should be consulted if further information is required.

Share capital

The Company's issued share capital comprises two classes of shares being, respectively, ordinary shares of 10p each (ordinary shares) and cumulative preference shares of £1 each (preference shares). Further details of the share capital of the Company are set out in note 30 to the Financial Statements. As at 22 March 2019, the ordinary shares represent 97.00% of the total issued share capital of the Company by nominal value and the preference shares represent 3.00% 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 176 to 181 includes the following resolutions:

— An ordinary resolution (Resolution 13) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,438,220 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 2 April 2019. The authority will expire on 22 August 2020 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority. The Directors do not have any present intention of exercising the authority.

— A special resolution (Resolution 14) to enable the Directors to continue to allot equity securities for cash in connection with a rights or other issue pro rata to the rights of the existing shareholders, but subject to certain exceptions, and for any other purpose provided that the aggregate nominal value of such allotments does not exceed £665,733 (approximately 5% of the Company's issued ordinary share capital at 2 April 2019). The authority will expire on 22 August 2020 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 also confirm their intention that, in line with the Pre-Emption Group's Statement of Principles, no more than 7.5% of the issued ordinary share capital of the Company (excluding treasury shares) will be issued for cash on a non pre-emptive basis during any rolling three-year period without prior consultation with shareholders.

— A special resolution (Resolution 15) to renew the authority of the Company to make market purchases of up to 13,314,660 of its own issued ordinary shares (10% of the Company's issued ordinary share capital at 2 April 2019). 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.

Directors' Report

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 23 May 2019 are set out in the Notice of AGM on pages 176 to 181.

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

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

Transfer of shares
Under and subject to the restrictions in the Articles, any shareholder may transfer some or all of their shares in certificated form by transfer in writing in any usual form or in any other form which the Board may approve. Uncertificated shares must be transferred by means of a relevant system, such as CREST. The Board may, save in certain circumstances, refuse to register any transfer of a certificated share not fully paid up. The Board may also refuse to register any transfer of certificated shares unless it is:

— in respect of only one class of shares;

— duly stamped or exempt from stamp duty;

— delivered to the office or at such other place as the Board may decide for registration; and

— accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to show the right of the intending transferor to transfer the shares.

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

Repurchase of shares
Subject to the provisions of the Companies Act 2006 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.

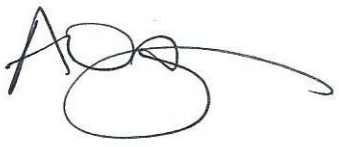
Powers of the Directors
The business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Articles and any resolution of the Company's shareholders. The Articles specify that the Board may exercise all the powers of the Company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

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

— the Company's share schemes and plans; and
— bank facilities whereby upon a "change of control" the lenders shall consult with the Company 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 by its order by



Amy Oakley
Company Secretary
11 April 2019

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

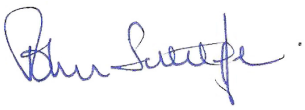
The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

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
11 April 2019

Darren Littlewood
Director
11 April 2019

Financial Statements

for the year ended
31 December 2018

Building our reputation on strong relationships.

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 2018 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 International Financial Reporting Standards (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 2018; the Consolidated 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; and the notes to the financial statements, which include a description of the significant accounting policies.

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

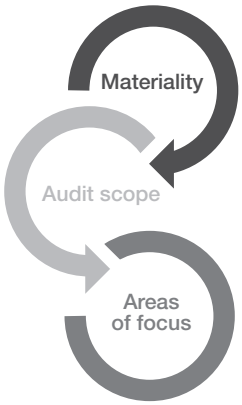
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 2018 to 31 December 2018.

Our audit approach

Overview



- Overall Group materiality: £3,500,000 (2017: £3,500,000), based on 0.8% of total assets.
- Overall parent company materiality: £1,600,000 (2017: £1,200,000), based on 0.8% of total assets.

- The Group is structured along three business segments being Property Investment and Development, Land Promotion and Construction. The Group financial statements are a consolidation of the 46 reporting units within these three business segments and the Group's centralised functions.
- Of the Group's 46 reporting units, we identified five 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.

- Valuation of investment properties (Group).
- Accuracy and valuation of construction and development contract balances (Group).
- Valuation of house builder work in progress inventory (Group).
- Actuarial assumptions used in accounting for defined benefit pension scheme liabilities (Group and parent).
- Carrying value of investments and intercompany (Parent).

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.

Capability of the audit in detecting irregularities, including fraud
Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and tax legislation, and pensions regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve the Group's result for the period, and management bias in key accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls with respect to construction and development contracts designed to prevent and detect irregularities or bias;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to construction and development contracts, the valuation of investment properties, the valuation of work in progress inventory, and the actuarial assumptions used in accounting for defined benefit pension scheme liabilities (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management. Specifically we tested journal entries which inflated the Group result for the period with unusual offset entries, we tested journals posted by senior management personnel, and we tested journal entries impacting cash with unusual offset entries to detect any potentially fraudulent cash extraction from the business.

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. Also, 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.

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.

Independent Auditors' Report

to the members of Henry Boot PLC

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties – £121.0m – Group 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. This accounts for 97.2% of the value of the Group's investment property portfolio. 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 accounts for 2.8% of the Group's investment property portfolio and 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. We used internal valuations experts to assess the appropriateness of management's valuations, and 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 assumption was land value per acre. We corroborated these assumptions by reference to legal agreements, and observable market data on comparable sites. No material adjustments were identified as a result of our testing.

Key audit matter	How our audit addressed the key audit matter
Accuracy and valuation of construction and development contract balances – £281.0m – Group We focused on this area because of the judgements involved in estimating the stage of completion of construction and development contract activity and in 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 and development contracts and a relatively small change in the judgements applied, such as whether a provision for remedial works is required, could result in a material misstatement to the financial statements. In order to address estimation uncertainty with respect to assessing the stage of completion and costs to complete, management undertake regular detailed cost assessments which are reviewed and approved by appropriate persons. We also note there is judgement involved in revenue recognition on construction and development contracts in particular where performance related incentive payments are built into transaction prices. In determining the appropriate treatment, management complete detailed contract reviews for each contract entered into and use past experience, external valuers, external influences, and risk profile assessments on the nature of each contract to assist in reaching their conclusions.	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 costs to complete had been calculated; — Controls testing over the contract acceptance and forecasting process; — Controls testing over costs incurred in the year focusing on the approvals process and the allocation of costs to the correct contracts; — We agreed key contract details to legal documentation; — We performed a recalculation of the revenue recognised in the year for a sample of contracts; — Tested the bills raised on construction and development contracts during the year through to invoice and where possible, cash receipt; — We also checked customer acceptance of the work undertaken, considering the implications of any ongoing disputes which included discussions with the Group legal department; — Testing costs to complete schedules by selecting a sample of forecast costs and agreeing the expected cost to supporting evidence. We also reviewed costs to complete for reasonableness by looking at historical forecasting accuracy on costs to complete; — 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 by testing the outturn on similar amounts previously provided for; — We also completed site visits during the year; and — We assessed management's overall profit recognition methodology, including a sample assessment of the accuracy of revenue and profit forecasts from prior years. No material adjustments were identified as a result of our testing.

Independent Auditors' Report

to the members of Henry Boot PLC

Key audit matter	How our audit addressed the key audit matter
Valuation of house builder work in progress inventory – £22.5m – Group We focused upon this area because the value of the Group's work in progress inventory with respect to the building of houses now represents a significant balance in the Group statement of financial position, and determining the carrying value of work in progress inventory requires a high degree of judgement. The key judgements include forecasting future costs to complete and selling prices which can be affected by market conditions and unexpected events.	Our testing over the valuation of work in progress inventory included the following: — We assessed the adequacy of controls over the approval of site forecasts, and the authorisation and recording of costs, including testing of controls over the allocation of costs to the correct sites. — Visited a sample of sites to confirm the existence and condition of the work in progress, and also to evaluate the reasonableness of the assessment of stage of completion. — Sample tested and agreed certain costs incurred during the year included within work in progress to supporting evidence as well as reviewing the proportion of that expenditure recognised as a cost of sale in the year in respect of units sold. This included any land additions in the period. — Tested the percentage completion of units across a sample of sites and checked that forecasts have been appropriately updated for expected costs and selling prices to completion. We also assessed the level of gross margin achieved against those recorded previously and future forecasts. — Assessed the historical accuracy of management's forecasting. — Performed an independent assessment of cost accruals and costs to complete via enquiry and corroboration to supporting evidence. No material adjustments were identified as a result of our testing.
Actuarial assumptions used in accounting for defined benefit pension scheme liabilities – £186.8m – Group and parent The Group and parent company have 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. 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. We did this by comparing the key assumptions to externally derived data, as well as our own independently formed assessments, and we also assessed and challenged the methodologies used by management in deriving the assumptions. Furthermore we challenged management with respect to the impact of Guaranteed Minimum Pension equalisation upon the pension scheme liability. We considered the reasonableness of the assessed impact in light of our understanding of the scheme and the scheme rules, and we also completed our own modelling using scheme data to assess the estimated impact. We have no exceptions to report as a result of this testing.
Carrying value of investments and intercompany – £200.0m - Parent We focused upon this area because the balances due from the wider Group and the investments held by the parent company in its subsidiaries are significant balances within the parent company financial statements. The key judgement is the underlying cash generation and profitability of the wider Group which can be affected by market conditions and unexpected events.	We assessed the recoverability of the intercompany receivables by reviewing the underlying financial performance and profitability of the entities owing the parent company. We reviewed management's impairment review on the investments in subsidiaries held by firstly considering whether management's assessment of impairment triggers was appropriate, and we subsequently followed this up by reviewing management's forecasts and budgets prepared to consider whether an impairment was required on an entity by entity basis. We identified no issues with the carrying value of investments or amounts due from wider Group entities in our testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group is structured along three business segments being Property Investment and Development, Land Promotion and Construction, and the Group financial statements are a consolidation of the 46 reporting units within these three business segments and the Group's centralised functions.

Of the Group's 46 reporting units, we identified five 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, 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.

The work was performed by a component audit team for the five reporting units over which specific audit procedures were performed. All other work was completed by the Group audit team.

The reporting units where we performed audit work accounted for 95% of assets, 85% of revenue, and 83% of profit before tax.

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	£3,500,000 (2017: £3,500,000).	£1,600,000 (2017: £1,200,000).
How we determined it	0.8% of total assets.	0.8% 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.	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.

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 £72,000 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 and Risk Committee that we would report to them misstatements identified during our audit above £175,000 (Group audit) (2017: £175,000) and £60,000 (Parent company audit) (2017: £60,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report

to the members of Henry Boot PLC

Going concern

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

Reporting obligation	Outcome
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 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. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
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.	We have nothing to report.

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, Directors' Report and Corporate Governance Statement, 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 2018 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)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (as set out on pages 74 to 83) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") 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 this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (as set out on pages 74 to 83) with respect to the parent company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the parent company. (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 48 to 55 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 pages 54 to 55 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 108, 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 page 86 to 88 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk 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)

Independent Auditors' Report

to the members of Henry Boot PLC

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 in respect of the financial statements set out on page 108, 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 directors 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 9 years, covering the years ended 31 December 2010 to 31 December 2018.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
11 April 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	1	**397,052**	408,486
Cost of sales		**(319,052)**	(321,758)
Gross profit		**78,000**	86,728
Administrative expenses		**(24,065)**	(22,636)
Pension expenses	4	**(5,975)**	(4,336)
		47,960	59,756
Decrease in fair value of investment properties	13	**(92)**	(3,597)
Profit on sale of investment properties		**1,365**	137
Loss on sale of assets held for sale		**(36)**	(98)
Operating profit	3	**49,197**	56,198
Finance income	5	**275**	189
Finance costs	6	**(1,698)**	(1,703)
Share of profit of joint ventures and associates	15	**830**	708
Profit before tax		**48,604**	55,392
Tax	7	**(8,229)**	(9,817)
Profit for the year from continuing operations		**40,375**	45,575
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	**(153)**	(379)
Deferred tax on property revaluations	18	**—**	50
Actuarial gain on defined benefit pension scheme	27	**6,199**	2,306
Deferred tax on actuarial gain	18	**(1,054)**	(391)
Total other comprehensive income not being reclassified to profit or loss in subsequent years		**4,992**	1,586
Total comprehensive income for the year		**45,367**	47,161
Profit for the year attributable to:			
Owners of the Parent Company		**37,505**	42,368
Non-controlling interests		**2,870**	3,207
		40,375	45,575
Total comprehensive income attributable to:			
Owners of the Parent Company		**42,497**	43,954
Non-controlling interests		**2,870**	3,207
		45,367	47,161
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**28.3p**	32.1p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**28.0p**	31.8p

Statements of Financial Position

as at 31 December 2018

	Note	Group 2018 £'000	Group 31 Dec 2017 Restated (Page 135) £'000	Group 1 Jan 2017 Restated (Page 135) £'000	Parent Company 2018 £'000	Parent Company 2017 £'000
Assets						
Non-current assets						
Intangible assets	11	**5,077**	5,361	4,909	**—**	—
Property, plant and equipment	12	**26,161**	26,485	21,967	**459**	559
Investment properties	13	**120,975**	132,777	123,663	**—**	—
Investments	14	**—**	—	—	**34,086**	23,732
Investment in joint ventures and associates	15	**6,686**	5,856	5,148	**—**	—
Trade and other receivables	17	**11,915**	2,906	5,592	**—**	—
Deferred tax assets	18	**3,487**	4,613	5,249	**3,115**	4,192
		174,301	177,998	166,528	**37,660**	28,483
Current assets						
Inventories	19	**154,980**	144,603	137,915	**—**	—
Contract assets	16	**42,772**	30,932	17,638	**—**	—
Trade and other receivables	17	**60,225**	62,244	49,283	**170,586**	182,307
Cash and cash equivalents		**10,856**	10,282	7,389	**5,741**	6,170
		268,833	248,061	212,225	**176,327**	188,477
Assets classified as held for sale	20	**—**	2,000	1,050	**—**	—
		268,833	250,061	213,275	**176,327**	188,477
Liabilities						
Current liabilities						
Trade and other payables	22	**77,475**	76,204	56,493	**74,463**	72,167
Contract liabilities	21	**2,794**	3,225	4,656	**—**	—
Current tax liabilities		**3,897**	5,794	4,707	**1,340**	4,884
Borrowings	25	**24,119**	34,340	33,342	**16,022**	25,123
Provisions	26	**5,724**	5,602	6,669	**—**	—
		114,009	125,165	105,867	**91,825**	102,174
Net current assets		**154,824**	124,896	107,408	**84,502**	86,303
Non-current liabilities						
Trade and other payables	22	**2,792**	2,684	4,615	**—**	—
Borrowings	25	**5,096**	4,922	6,922	**—**	—
Retirement benefit obligations	27	**16,710**	22,825	26,396	**16,710**	22,825
Provisions	26	**2,215**	2,387	2,451	**—**	—
		26,813	32,818	40,384	**16,710**	22,825
Net assets		**302,312**	270,076	233,552	**105,452**	91,961
Equity						
Share capital	30	**13,715**	13,701	13,608	**13,715**	13,701
Property revaluation reserve	31	**3,397**	3,550	3,879	**—**	—
Retained earnings	31	**276,999**	245,260	210,664	**85,513**	72,242
Other reserves	31	**6,347**	6,121	4,611	**7,484**	7,258
Cost of shares held by ESOP trust	32	**(1,260)**	(1,240)	(1,071)	**(1,260)**	(1,240)
Equity attributable to owners of the Parent Company		**299,198**	267,392	231,691	**105,452**	91,961
Non-controlling interests		**3,114**	2,684	1,861	**—**	—
Total equity		**302,312**	270,076	233,552	**105,452**	91,961

The Parent Company made a profit for the year of £19,367,000 (2017: £25,425,000).

The Financial Statements on pages 122 to 171 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 11 April 2019.

On behalf of the Board

John Sutcliffe
Director

Darren Littlewood
Director

Statements of Changes in Equity

for the year ended 31 December 2018

Group	Note	Attributable to owners of the Parent Company: Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 31 December 2016		13,608	3,879	210,664	4,611	(1,071)	231,691	1,861	233,552
Profit for the year	31	—	—	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
Profit for the year	31	**—**	**—**	**37,505**	**—**	**—**	**37,505**	**2,870**	**40,375**
Other comprehensive income		**—**	**(153)**	**5,145**	**—**	**—**	**4,992**	**—**	**4,992**
Total comprehensive income		**—**	**(153)**	**42,650**	**—**	**—**	**42,497**	**2,870**	**45,367**
Equity dividends	10	**—**	**—**	**(11,161)**	**—**	**—**	**(11,161)**	**(2,440)**	**(13,601)**
Proceeds from shares issued		**14**	**—**	**—**	**226**	**—**	**240**	**—**	**240**
Purchase of treasury shares	31	**—**	**—**	**—**	**—**	**(429)**	**(429)**	**—**	**(429)**
Share-based payments	30, 31	**—**	**—**	**250**	**—**	**409**	**659**	**—**	**659**
		14	**—**	**(10,911)**	**226**	**(20)**	**(10,691)**	**(2,440)**	**(13,131)**
At 31 December 2018		**13,715**	**3,397**	**276,999**	**6,347**	**(1,260)**	**299,198**	**3,114**	**302,312**

Parent Company	Note	Share capital £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total equity £'000
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
Profit for the year	8	**—**	**19,367**	**—**	**—**	**19,367**
Other comprehensive income		**—**	**5,145**	**—**	**—**	**5,145**
Total comprehensive income		**—**	**24,512**	**—**	**—**	**24,512**
Equity dividends	10	**—**	**(11,161)**	**—**	**—**	**(11,161)**
Proceeds from shares issued		**14**	**—**	**226**	**—**	**240**
Purchase of treasury shares	31	**—**	**—**	**—**	**(429)**	**(429)**
Share-based payments	30	**—**	**(80)**	**—**	**409**	**329**
		14	**(11,241)**	**226**	**(20)**	**(11,021)**
At 31 December 2018		**13,715**	**85,513**	**7,484**	**(1,260)**	**105,452**

Statements of Cash Flows

for the year ended 31 December 2018

	Note	Group 2018 £'000	Group 2017 £'000	Parent Company 2018 £'000	Parent Company 2017 £'000
Cash flows from operating activities					
Cash generated from/(used by) operations	33	**22,276**	46,338	**13,246**	(4,446)
Interest paid		**(1,434)**	(1,463)	**(2,740)**	(2,760)
Tax paid		**(10,054)**	(8,620)	**(8,602)**	(7,251)
Net cash flows from operating activities		**10,788**	36,255	**1,904**	(14,457)
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	35	**—**	(2,711)	**—**	—
Purchase of intangible assets	11	**(417)**	(622)	**—**	—
Purchase of property, plant and equipment	12	**(1,464)**	(3,906)	**(122)**	(426)
Purchase of investment property	13	**(4,906)**	(24,081)	**—**	—
Proceeds on disposal of property, plant and equipment		**265**	137	**—**	—
Proceeds on disposal of investment properties		**17,881**	2,778	**—**	—
Proceeds on disposal of assets held for sale		**2,000**	8,141	**—**	—
Interest received		**265**	544	**5,943**	17,994
Dividends received from subsidiaries		**—**	—	**12,300**	15,244
Net cash flows from investing activities		**13,624**	(19,720)	**18,121**	32,812
Cash flows from financing activities					
Proceeds from shares issued		**239**	1,603	**238**	1,603
Purchase of treasury shares	32	**(429)**	(782)	**(429)**	(782)
Decrease in borrowings		**(46,113)**	(49,965)	**(30,000)**	(35,000)
Increase in borrowings		**36,066**	47,514	**20,000**	30,000
Dividends paid – ordinary shares	10	**(11,140)**	(9,607)	**(11,141)**	(9,607)
– non-controlling interests		**(2,440)**	(2,384)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**(23,838)**	(13,642)	**(21,353)**	(13,807)
Net increase/(decrease) in cash and cash equivalents		**574**	2,893	**(1,328)**	4,548
Net cash and cash equivalents at beginning of year		**10,282**	7,389	**6,047**	1,499
Net cash and cash equivalents at end of year		**10,856**	10,282	**4,719**	6,047
Analysis of net debt:					
Cash and cash equivalents		**10,856**	10,282	**5,741**	6,170
Bank overdrafts	25	**—**	—	**(1,022)**	(123)
Net cash and cash equivalents		**10,856**	10,282	**4,719**	6,047
Bank loans	25	**(22,422)**	(30,599)	**(15,000)**	(25,000)
Finance leases	25	**(3,220)**	(2,544)	**—**	—
Government loans	25	**(3,573)**	(6,119)	**—**	—
Net debt		**(18,359)**	(28,980)	**(10,281)**	(18,953)

Principal Accounting Policies

for the year ended 31 December 2018

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.

Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year with the exception of policies for Revenue and Financial Instruments. These policies have been updated following the implementation of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. Further details can be found in the 'Impact of accounting standards and interpretations' section below.

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. As part of our normal facility renewal process, conversations have been undertaken with several banks regarding the renewal in February 2020 and initial feedback suggests that there is a good level of interest from the banks in tendering for the facilities during 2019 either as a sole provider or under a syndicated arrangement. The Directors do not consider there to be any material uncertainty as to the the renewal of the debt facility hence continue to adopt going concern basis in preparing the Financial Statements. Further detail is contained in the Strategic Report on pages 54 to 55.

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, property development, housebuilding and associated trading activities;

— Land Promotion, inclusive of land management, development and trading activities; and

— Construction, inclusive of its PFI company and plant hire 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 financing activities.

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 IFRS 9.

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.

Critical judgements and estimates

The critical judgements and estimates in applying the Group's Accounting Policies that have the most significant effect on the amounts recognised in the Financial Statements, apart from those noted below, relate to revenue recognition and inventories. These are referred to on pages 129 and 131 and each is interpreted by management in the light of IFRS 15 'Revenue from Contracts with Customers' and IAS 2 'Inventories'.

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

— Retirement benefit costs — the estimates used in retirement benefit costs are arrived at in conjunction with the scheme's actuary and advisers, those having the most significant impact being the liabilities discount rate, RPI and mortality rates. Note 27 to the Financial Statements gives details of the sensitivity surrounding these estimates;

— Fair value of investment properties and of Group occupied properties — the fair value of completed investment property and of Group occupied property is determined by independent valuation experts using the yield method valuation technique. The fair value of investment property under construction has been determined using the residual method by the Directors of the Company. The most significant estimates used in these valuations are rental values, yields and costs to complete. Notes 12 and 13 to the Financial Statements give details of the valuation methods used and the sensitivity surrounding these estimates; and

— Provisions — amounts recognised in relation to provisions are based on assumptions in respect of cost estimates, the timing of cash flows and discount rates used. Note 26 to the Financial Statements gives details of the sensitivity surrounding these estimates.

Principal Accounting Policies

for the year ended 31 December 2018

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. Where consideration is not specified within the contract and therefore subject to variability, the Group estimates the amount of consideration to be received from its customer. The consideration recognised is the amount which is highly probable not to result in a significant reversal in future periods. Where a modification to an existing contract occurs, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied by the Group or whether it is a modification to the existing performance obligation.

The Group has some contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. The Group adjusts its transaction price for the time value of money.

The Group's activities are wide-ranging, and as such, depending on the nature of the product or service delivered and the timing of when control is passed to the customer, the Group will account for revenue over time or at a point in time. Where revenue is measured over time, the Group uses the input method to measure progress of delivery.

Product and Service	Nature, timing of satisfaction of performance obligations and significant payment terms
Construction contracts	Typically, the Group's construction contracts consist of one performance obligation, being delivery of the construction works. However for certain contracts (for example where contracts involve separate phases or products that are not highly interrelated) multiple performance obligations exist. Where multiple performance obligations exist, total revenue is allocated to performance obligations based on the relative standalone selling prices of each performance obligation. Revenue attributed to each performance obligation is recognised over time based on the percentage of completion, reflecting the enhancement in value of the customer's asset. The percentage of completion is calculated as the costs incurred to date as a percentage of the total costs expected to satisfy the performance obligation. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the percentage of completion calculation in the period in which the circumstances that give rise to the revision become known. Losses are recorded in full when the unavoidable costs of fulfilling a contract exceed the economic benefits. Any revenues recognised in excess of amounts invoiced are recognised as contract assets within current assets. Any payments received in excess of revenue recognised are recognised as contract liabilities within current liabilities.
Sale of land and properties	Revenue from the sale of land and properties is generally a single performance obligation which is satisfied at the point in time when control of the land and properties has passed, typically on legal completion when legal title has transferred. Variable consideration such as overages are estimated based on the amount of consideration the Group expects to be entitled to, taking into account the terms which may give rise to variability and it is only recognised where it is highly probable there will not be a significant future reversal. This is estimated at contract inception and reassessed over the life of the contract. Revenue includes the fair value of consideration received or receivable on the sale of part exchange properties.
PFI Concession	Revenue from the Group's PFI concession is recognised at the point in time, by the calculation of 'shadow tolls' based on individual vehicle usage of the A69. The concession is accounted for in accordance with IFRIC 12 'Service Concession Arrangements' using the intangible asset model.
Operating leases (recognised as income under IAS 17 'Leases')	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.
Plant and equipment hire (recognised as income under IAS 17 'Leases')	Revenue from plant and equipment hire is measured as the fair value of sales proceeds which relate to the period of account.

Critical judgements and estimates in applying IFRS 15 Revenue from Contracts with Customers

The following are the critical judgements and estimates in applying accounting policies that the Directors have made in the process of applying IFRS 15 Revenue from Contracts with Customers and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates in determining the recognition of revenue on construction contracts over time – construction 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 or external survey of the work performed and costs to complete.

Judgement in determining the recognition of revenue at a point in time on land sale contracts – there is often judgement involved in evaluating when a customer obtains control of land during a sale, particularly where the contract includes licensing, risk or deferred payment term clauses. In determining the revenue recognition the Directors consider the present right for payment, legal title, physical possession, risks and rewards of ownership and acceptance of the asset in forming their opinion. Where necessary third party advice is taken.

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.

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.

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.

Share-based payments

Equity-settled share-based payments to employees of the Company and its subsidiary undertakings are measured at fair value of the equity instruments at the date of grant and are expensed on a straight-line basis over the vesting period. Fair value is measured by a Monte Carlo pricing model, taking into account any market performance conditions and excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30. At each reporting period date, the Group estimates the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity reserves.

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

Details regarding the determination of the fair value of share-based transactions are set out in note 30.

Principal Accounting Policies

for the year ended 31 December 2018

Intangible assets excluding goodwill

Intangible assets are stated at cost less accumulated amortisation and impairment. The PFI asset which is accounted for under IFRIC 12 'Service Concession Arrangements' 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 seven years to run.

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 10% and 50%
— Vehicles – between 10% and 25%
— Office equipment – between 25% and 33%

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 it is disposed of at its 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'.

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.

— House builder land and work in progress includes construction of residential housing 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, at which point inventory is reduced by the value of the reimbursed cost. These costs are held in inventory at the lower of cost and estimated net realisable value.

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.

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.

Principal Accounting Policies

for the year ended 31 December 2018

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.

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 are measured initially at fair value and then amortised cost — where the time value of money is material, receivables are amortised using the effective interest rate method (see Interest income and expense on page 129). IFRS 9's simplified approach to provisioning is used to calculate the Group's lifetime expected credit risk;

— 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 129);

— 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.

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.

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 26 on page 158.

Retirement benefit costs

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

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

Share 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.

Dividends

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

Principal Accounting Policies

for the year ended 31 December 2018

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 2018:

		Effective from
IFRIC 22 (amended 2016)	'Foreign Currency Transactions and Advance Consideration'	1 January 2018
IAS 40 (amended 2016)	'Transfers of Investment Property'	1 January 2018
IFRS 2 (amended 2016)	'Classification and Measurement of Share-based Payment Transactions'	1 January 2018
IFRS 4 (amended 2016)	'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	1 January 2018
IFRS 15 (issued 2014)	'Revenue from Contracts with Customers'	1 January 2018
IFRS 15 (amended 2016)	'Revenue from Contracts with Customers'	1 January 2018
IFRS 9 (issued 2014)	'Financial Instruments'	1 January 2018

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
IFRS 9 (issued 2017)	'Payment Features with Negative Compensation'	1 January 2019
IFRS 16 (issued 2016)	'Leases'	1 January 2019
IFRS 17 (issued 2017)	'Insurance Contracts'	1 January 2021*
IFRIC 23 (amended 2017)	'Uncertainty over Income Tax Treatments'	1 January 2019*
IAS 28 (amended 2017)	'Long-term Interests in Associates and Joint Ventures'	1 January 2019*
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*

* Not yet endorsed by the EU.

A review of the impact of these standards, amendments and interpretations which are not yet effective has been conducted and the Directors do not believe that they will give rise to any significant financial impact, except as stated below.

IFRS16 'Leases' was issued by the IASB in January 2016 and became effective for accounting periods beginning on or after 1 January 2019. The Group has completed an impact assessment of the new standard which will be adopted using the modified retrospective approach leading to the recognition of leased assets and related obligations on the statement of financial position of approximately £2,400,000. The impact on profit and loss is expected to be immaterial. The treatment of leases where the Group is acting as a lessor is substantially unchanged from that currently applied under IAS 17.

In 2018, 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.

Adoption of the following standards effective from 1 January 2018 are significant to the Group

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 was issued by the IASB in May 2014 and became effective for accounting periods on or after 1 January 2018. The standard outlines the principles entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer. IFRS 15 introduces a five-step approach to revenue recognition and far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', and this is presented as such in the statement of financial position.

In accordance with the transition provisions in IFRS 15 the new rules have been adopted under the full retrospective approach and apart from providing more extensive disclosure on the Group's revenue transactions, did not result in a material adjustment to the opening balance sheet except to separate contract assets and liabilities out of trade debtors and creditors respectively. While no material adjustment is required to opening reserves the standard may affect future transactions including; the separation of performance obligations and contract modifications on construction contracts, the inclusion of revenue on part exchanged house disposals, 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). The new standard has resulted in a change to the Group's accounting policy for revenue which has been applied retrospectively and is presented on pages 128 and 129, although there is no impact on the statement of comprehensive income in either the current or prior year.

The amount of adjustment for each financial statement line item affected by the application of IFRS 15 for the prior year is presented below.

Impact on assets and liabilities as at 1 January 2017

	As previously reported £'000	IFRS 15 adjustment £'000	As restated £'000
Trade and other receivables	66,921	(17,638)	49,283
Contract assets	–	17,638	17,638
Contract liabilities	–	(4,656)	(4,656)
Trade and other payables	(61,149)	4,656	(56,493)

Impact on assets and liabilities as at 31 December 2017

	As previously reported £'000	IFRS 15 adjustment £'000	As restated £'000
Trade and other receivables	93,176	(30,932)	62,244
Contract assets	–	30,932	30,932
Contract liabilities	–	(3,225)	(3,225)
Trade and other payables	(79,429)	3,225	(76,204)

IFRS 9 'Financial Instruments'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

The classification and measurement of financial liabilities and derivative instruments remains unchanged from IAS 39. Under IFRS 9, a financial asset is now classified on initial recognition as measured at: amortised cost; fair value through other comprehensive income ('FVOCI') – debt investment; FVOCI – equity investment; or fair value through profit and loss ('FVTPL'). Applying this classification to the Group's financial assets does not result in changes to the accounting: trade receivables and cash and cash equivalents continue to be recognised at amortised cost and certain other non-current financial assets continue to be recognised at FVTPL.

The standard was applied retrospectively although there is no impact on the Statement of Comprehensive Income in the prior year or any adjustment to opening reserves.

In respect of accounting for trade and other receivables, the Group has applied IFRS 9's simplified approach to provisioning and has calculated this using lifetime expected losses. This calculation has had no material impact on the financial statements.

As a result of adopting IFRS 9, the accounting policy for financial instruments has been revised as presented above.

Notes to the Financial Statements

for the year ended 31 December 2018

1. Revenue

Analysis of the Group's revenue is as follows:

		Timing of revenue recognition			Timing of revenue recognition	
Activity in the United Kingdom	**2018 £'000**	**At a point in time**	**Over time**	2017 £'000	At a point in time	Over time
Construction contracts:						
– Construction segment	**69,008**	**—**	**69,008**	53,187	—	53,187
– Property Investment and Development segment	**173,003**	**—**	**173,003**	171,643	—	171,643
Sale of land and properties:						
– Property Investment and Development segment	**1,282**	**1,282**	**—**	44,442	44,442	—
– House builder unit sales	**37,672**	**37,672**	**—**	24,713	24,713	—
– Land promotion	**74,727**	**74,727**	**—**	76,009	76,009	—
PFI concession	**14,832**	**14,832**	**—**	12,526	12,526	—
Revenue from contracts with customers	**370,524**	**128,513**	**242,011**	382,520	157,690	224,830
Plant and equipment hire	**16,858**			16,252		
Investment property rental income	**8,854**			8,839		
Other rental income	**816**			875		
	397,052			408,486		

Contingent rents recognised as income during the year amount to £426,000 (2017: £525,000).

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 36.1% (2017: 29.7%) of the Group's total revenue. This related to a single high value contract which commenced in 2016 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 126 to 135.

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

Revenue	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
	2018					
External sales	221,546	74,808	100,698	—	—	397,052
Inter-segment sales	325	—	2,229	647	(3,201)	—
Total revenue	221,871	74,808	102,927	647	(3,201)	397,052
Operating profit/(loss)	20,114	27,935	8,932	(7,784)	—	49,197
Finance income	1,112	1,679	867	18,206	(21,589)	275
Finance costs	(6,149)	(1,103)	(556)	(2,679)	8,789	(1,698)
Share of profit of joint ventures and associates	830	—	—	—	—	830
Profit before tax	15,907	28,511	9,243	7,743	(12,800)	48,604
Tax	(2,047)	(5,285)	(1,836)	939	—	(8,229)
Profit for the year	13,860	23,226	7,407	8,682	(12,800)	40,375
Other information						
Capital additions	4,661	—	5,273	676	—	10,610
Depreciation	208	13	4,381	768	—	5,370
Impairment	—	—	204	—	—	204
Amortisation	—	—	497	—	—	497
Decrease in fair value of investment properties	(92)	—	—	—	—	(92)
Provisions	—	1,524	1,881	—	—	3,405
Pension scheme debit	—	—	—	84	—	84

Revenue	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
	2017					
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 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 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)

Notes to the Financial Statements

for the year ended 31 December 2018

2. Segment information continued

	2018 £'000	2017 £'000
Segment assets		
Property Investment and Development	**238,809**	233,253
Land Promotion	**152,573**	140,379
Construction	**34,637**	36,385
Group overheads	**2,772**	3,147
	428,791	413,164
Unallocated assets		
Deferred tax assets	**3,487**	4,613
Cash and cash equivalents	**10,856**	10,282
Total assets	**443,134**	428,059
Segment liabilities		
Property Investment and Development	**31,300**	28,847
Land Promotion	**31,974**	28,146
Construction	**25,553**	29,750
Group overheads	**2,173**	3,359
	91,000	90,102
Unallocated liabilities		
Current tax liabilities	**3,897**	5,794
Current borrowings	**24,119**	34,340
Non-current borrowings	**5,096**	4,922
Retirement benefit obligations	**16,710**	22,825
Total liabilities	**140,822**	157,983
Total net assets	**302,312**	270,076

3. Operating profit

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

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment (note 12)	**5,370**	4,899
Impairment of goodwill included in administrative expenses (note 11)	**204**	203
Impairment of land and buildings included in administrative expenses (note 12)	**—**	48
Amortisation of PFI asset included in cost of sales (note 11)	**497**	870
Amortisation of capitalised letting fees (note 13)	**100**	48
Loss on sale of assets held for sale	**36**	98
Impairment losses recognised on trade receivables included in cost of sales	**41**	90
Impairment losses recognised on trade receivables included in administrative expenses	**24**	13
Property rentals under operating leases	**481**	391
Decrease in fair value of investment property (note 13)	**92**	3,597
Cost of inventories recognised as expense	**74,226**	82,772
Employee costs	**34,001**	30,832
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	**8**	7
Profit on sale of property, plant and equipment	**(6)**	(53)

3. Operating profit continued

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

	2018 £'000	2017 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	**92**	80
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**134**	126
Total audit fees	**226**	206
Other services	**23**	19
Total non-audit fees	**23**	19
Total fees	**249**	225

Non-audit services relate to a review of the Group's half year results, the provision of the TSR comparator group report and a small amount of advisory work on the preparation of the 2018 Remuneration Policy.

4. Employee costs

	Group		Parent Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	**24,173**	22,747	**3,204**	3,796
Share-based payment expense	**659**	554	**329**	308
Social security costs	**2,934**	2,993	**409**	659
Defined benefit pension costs (see note 27)	**3,739**	2,440	**1,733**	503
Defined contribution pension costs (see note 27)	**2,198**	1,730	**255**	207
Other pension costs	**38**	166	**19**	10
	33,741	30,630	**5,949**	5,483

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

	2018 Number	2017 Number
Property Investment and Development	**101**	78
Land Promotion	**34**	34
Construction	**175**	176
Plant Hire	**151**	142
Parent Company	**63**	56
	524	486

5. Finance income

	2018 £'000	2017 £'000
Interest on bank deposits	**32**	10
Interest on other loans and receivables	**56**	48
Unwinding of discounting	**187**	131
	275	189

Notes to the Financial Statements

for the year ended 31 December 2018

6. Finance costs

	2018 £'000	2017 £'000
Interest on bank loans and overdrafts	**990**	1,053
Interest on other loans and payables	**243**	138
Fair value adjustments on trade payables	**423**	393
Fair value adjustments on borrowings	**35**	119
Provisions: unwinding of discount (note 26)	**7**	—
	1,698	1,703

7. Tax

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax on profits for the year	**9,017**	10,090
Adjustments in respect of earlier years	**(860)**	(372)
Total current tax	**8,157**	9,718
Deferred tax (note 18):		
Origination and reversal of temporary differences	**72**	99
Total deferred tax	**72**	99
Total tax	**8,229**	9,817

Corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable profit for the year.

As a result of the change in the UK corporation tax rate 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% (2017: 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:

	2018 £'000	2017 £'000
Profit before tax	**48,604**	55,392

	2018 %	2017 %
Tax at the UK corporation tax rate	**19.00**	19.25
Effects of:		
Permanent differences	**0.19**	(2.01)
Capital gains	**(0.31)**	(0.06)
Tax losses for which no deferred tax asset is recognised	**0.14**	1.39
Adjustment in respect of earlier years	**(1.77)**	(0.60)
Joint venture results reported net of tax	**(0.32)**	(0.25)
Effective tax rate	**16.93**	17.72

The tax charge in the year is lower than the standard rate predominantly due to a prior year adjustment relating to non-taxable capital gains.

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

	2018 £'000	2017 £'000
Deferred tax:		
– property revaluations	**—**	50
– actuarial gain	**(1,054)**	(391)
Total tax recognised in other comprehensive income	**(1,054)**	(341)

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 11 April 2019 is £19,367,000 (2017: £25,425,000) and includes dividends received from subsidiaries of £12,300,000 (2017: £11,700,000).

9. Earnings per ordinary share

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

	2018 £'000	2017 £'000
Profit for the year	**40,375**	45,575
Non-controlling interests	**(2,870)**	(3,207)
Preference dividend	**(21)**	(21)
	37,484	42,347

	2018 No	2017 No
Weighted average number of shares in issue	**133,119,785**	132,323,911
Less shares held by the ESOP on which dividends have been waived	**(533,309)**	(523,597)
Weighted average number for basic earnings per share	**132,586,476**	131,800,314
Adjustment for the effects of dilutive potential ordinary shares	**1,118,671**	1,492,317
Weighted average number for diluted earnings per share	**133,705,147**	133,292,631

The Group has two types of dilutive potential ordinary shares being: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year; and expected future vesting of shares under the 2015 Long Term Incentive Plan.

10. Dividends

	2018 £'000	2017 £'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 2017 of 5.20p per share (2016: 4.50p)	**6,895**	5,917
Interim dividend for the year ended 31 December 2018 of 3.20p per share (2017: 2.80p)	**4,245**	3,690
	11,161	9,628

The proposed final dividend for the year ended 31 December 2018 of 5.80p per share (2017: 5.20p) makes a total dividend for the year of 9.00p (2017: 8.00p).

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 £7,824,000.

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 £2,440,000 (2017: £2,384,000).

Notes to the Financial Statements

for the year ended 31 December 2018

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 31 December 2016	4,070	17,160	21,230
Additions at cost	—	622	622
Acquisition of subsidiary (note 35)	903	—	903
At 31 December 2017	4,973	17,782	22,755
Additions at cost	**—**	**417**	**417**
At 31 December 2018	**4,973**	**18,199**	**23,172**
Accumulated impairment losses and amortisation			
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
Amortisation	**—**	**497**	**497**
Impairment losses for the year	**204**	**—**	**204**
At 31 December 2018	**2,916**	**15,179**	**18,095**
Carrying amount			
At 31 December 2018	**2,057**	**3,020**	**5,077**
At 31 December 2017	2,261	3,100	5,361
At 31 December 2016	1,561	3,348	4,909

During the previous 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 35. 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 which has a current net book value of £903,000 (2017: £ 903,000), 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. Impairment calculations use pre-tax cash flow projections including revenue growth of 3.0% per annum into perpetuity which reflects past experience and management's future expectations. Management estimates discount rates that reflect current market assessments of the time value of money and risk specific to the cash generating unit of 3.5%.

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition which has a current net book value of £1,154,000 (2017: £1,398,000) 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 seven years to run, at the end of which the road reverts to Highways England. Whilst the impairment test demonstrates significant headroom based on a forecast levels of return being consistent with prior years. An impairment charge of £204,000 (2017: £203,000) has been recognised during the year. This reflects 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 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 35)	—	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
Additions at cost	**153**	**4,357**	**1,071**	**240**	**5,821**
Disposals	**—**	**(3,015)**	**(823)**	**(145)**	**(3,983)**
Transfers to inventory	**(200)**	**—**	**—**	**—**	**(200)**
Decrease in fair value in year	**(153)**	**—**	**—**	**—**	**(153)**
At 31 December 2018	**8,242**	**38,968**	**5,932**	**3,925**	**57,067**
Being:					
Cost	**—**	**38,968**	**5,932**	**3,925**	**48,825**
Fair value at 31 December 2018	**8,242**	**—**	**—**	**—**	**8,242**
	8,242	**38,968**	**5,932**	**3,925**	**57,067**
Accumulated depreciation and impairment					
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
Charge for year	**—**	**3,922**	**865**	**583**	**5,370**
Eliminated on disposals	**—**	**(2,791)**	**(630)**	**(140)**	**(3,561)**
At 31 December 2018	**342**	**24,888**	**2,819**	**2,857**	**30,906**
Carrying amount					
At 31 December 2018	**7,900**	**14,080**	**3,113**	**1,068**	**26,161**
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 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £331,000 (2017: £459,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2018 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 £7,900,000 (2017: £8,100,000). 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 £4,653,000 (2017: £4,550,000).

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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	**2018 £'000**	2017 £'000	**Decrease in year**
Freehold land	—	—	60	**60**	60	**—**
Buildings	—	—	7,840	**7,840**	8,040	**(200)**
Total fair value	—	—	7,900	**7,900**	8,100	**(200)**

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	6.36
	– low	2.34
	– high	16.25
Yield %	– weighted average	8.19
	– low	6.75
	– high	12.79

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

	Impact on valuation £'000 Buildings
Yield – improvement by 0.5%	476
Rental value per sq ft – increase by £1 average	1,199

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

Parent Company	Office equipment £'000
Cost	
At 31 December 2016	804
Additions	426
Disposals	(215)
At 31 December 2017	1,015
Additions	**122**
Disposals	**(107)**
At 31 December 2018	**1,030**
Depreciation	
At 31 December 2016	507
Charge for year	162
Disposals	(213)
At 31 December 2017	456
Charge for year	**217**
Disposals	**(102)**
At 31 December 2018	**571**
Carrying amount	
At 31 December 2018	**459**
At 31 December 2017	559
At 31 December 2016	297

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	**2018 £'000**	2017 £'000	**Increase/ (decrease) in year**
Completed investment property						
Industrial	—	—	26,402	**26,402**	23,075	**3,325**
Leisure	—	—	10,777	**10,777**	11,460	**(683)**
Mixed-use	—	—	53,417	**53,417**	52,355	**1,063**
Residential	—	—	3,285	**3,285**	3,600	**(314)**
Office	—	—	13,200	**13,200**	12,900	**300**
Retail	—	—	10,479	**10,479**	23,214	**(12,735)**
	—	—	117,560	**117,560**	126,604	**(9,044)**
Investment property under construction						
Industrial	—	—	271	**271**	299	**(28)**
Land	—	—	714	**714**	1,214	**(500)**
Retail	—	—	2,430	**2,430**	4,660	**(2,230)**
	—	—	3,415	**3,415**	6,173	**(2,758)**
Total fair value	—	—	120,975	**120,975**	132,777	**(11,802)**

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.

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13. Investment properties continued

Explanation of the fair value hierarchy:

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

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

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

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

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

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

Completed investment property

Class Fair value hierarchy	Industrial Level 3 £'000	Leisure Level 3 £'000	Mixed-use Level 3 £'000	Residential Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	**2018** **£'000**	2017 £'000
Fair value								
At 1 January	23,075	11,460	52,355	3,600	12,900	23,214	**126,604**	100,908
Subsequent expenditure on investment property	1,798	15	1,924	—	66	404	**4,207**	21,010
Capitalised letting fees	—	—	359	—	—	28	**387**	51
Amortisation of capitalised letting fees	(1)	(4)	(42)	—	—	(53)	**(100)**	(48)
Disposals	—	—	(170)	(262)	—	(13,163)	**(13,595)**	(2,010)
Transfers to assets held for sale	—	—	—	—	—	—	**—**	(2,000)
Transfer to inventories	—	—	—	—	—	—	**—**	(78)
Transfers from investment property under construction	—	—	—	—	—	—	**—**	9,334
Increase/(decrease) in fair value in year	1,530	(694)	(1,009)	(53)	234	49	**57**	(563)
At 31 December	26,402	10,777	53,417	3,285	13,200	10,479	**117,560**	126,604
Adjustment in respect of tenant incentives	—	248	1,083	—	—	171	**1,502**	1,867
Market value at 31 December	26,402	11,025	54,500	3,285	13,200	10,650	**119,062**	128,471

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 purchaser's 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 2018 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 £115,777,000 (2017: £124,870,000). 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 2018 has been determined by the Directors of the Company at £3,285,000 (2017: £3,600,000). 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):

		2018					
Class		**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**	**12.49**	**14.11**	**—**	**23.28**	**15.71**
	– low	**3.49**	**1.67**	**2.70**	**—**	**19.46**	**11.00**
	– high	**4.53**	**40.86**	**63.39**	**—**	**24.97**	**21.41**
Yield %	– weighted average	**5.52**	**4.71**	**8.16**	**—**	**7.48**	**5.48**
	– low	**5.44**	**5.24**	**5.25**	**—**	**6.65**	**4.67**
	– high	**7.36**	**7.86**	**12.00**	**—**	**6.79**	**7.60**
% discount applied to houses held under assured tenancies		**—**	**—**	**—**	**25.00**	**—**	**—**

		2017					
Class		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	—	—

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

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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 2018 £'000					
	Industrial	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Yield – improvement by 0.5%	**2,266**	**1,048**	**3,257**	**—**	**835**	**1,070**
Rental value per sq ft – increase by £1 average	**6,561**	**839**	**4,064**	**—**	**577**	**772**
Tenancy discount – increase by 1%	**—**	**—**	**—**	**69**	**—**	**—**

	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	—	—

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 £8,854,000 (2017: £8,839,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £331,000 (2017: £459,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £1,160,000 (2017: £2,110,000).

At 31 December 2018, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £nil (2017: £1,141,000).

Investment property under construction

Class	Industrial Level 3	Land Level 3	Retail Level 3	**2018**	2017
Fair value hierarchy	£'000	£'000	£'000	**£'000**	£'000
Fair value					
At 1 January	299	1,214	4,660	**6,173**	22,755
Subsequent expenditure on investment property	151	—	14	**165**	3,020
Capitalised letting fees	—	—	147	**147**	—
Disposals	(179)	(500)	(2,242)	**(2,921)**	(642)
Transfer to assets held for sale	—	—	—	**—**	(6,592)
Transfers to completed investment property	—	—	—	**—**	(9,334)
Decrease in fair value in year	—	—	(149)	**(149)**	(3,034)
At 31 December	**271**	**714**	**2,430**	**3,415**	6,173
Adjustment in respect of tenant incentives	—	—	—	**—**	—
Market value at 31 December	**271**	**714**	**2,430**	**3,415**	6,173

13. Investment properties continued

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

		2018		
Class		**Industrial**	**Land**	**Retail**
Valuation technique		Residual	Sales comparison	Residual
Land value per acre (£'000)	– weighted average	**100**	**103**	**448**
	– low	**100**	**103**	**200**
	– high	**100**	**103**	**994**

		2017		
Class		Industrial	Land	Retail
Valuation technique		Residual	Sales comparison	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	—

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

	Impact on valuation 2018 £'000		
	Industrial	**Land**	**Retail**
Land value per acre – increase by 5%	**—**	**163**	**—**

	Impact on valuation 2017 £'000		
	Industrial	Land	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	—

Investment properties under construction are developments which have been valued at 31 December 2018 at fair value by the Directors of the Company using the residual method at £3,415,000 (2017: £6,173,000). The residual method of valuation involves estimating the gross development value of the property using market-derived capitalisation yields and market-derived future income streams. From this gross development value the remaining gross development costs to be incurred are deducted, using market-derived data cost estimates or the actual known costs and including cost contingencies for construction risk as appropriate. In addition, a deduction for the anticipated development profits yet to be earned is made, taking into account the progress of the development to date in line with key milestones.

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14. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	**35,772**
Fair value adjustments	
At 1 January 2017	(27,284)
Reversal of provisions for losses	15,244
At 31 December 2017	(12,040)
Reversal of provisions for losses	10,354
At 31 December 2018	**(1,686)**
Carrying amount	
At 31 December 2018	**34,086**
At 1 January 2018	23,732
At 1 January 2017	8,488

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 17 and 22 and details of all subsidiary companies are listed in note 36. 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 (by virtue of majority voting rights), Henry Boot Land Holdings Limited; and

— Stonebridge Offices Limited which is indirectly 50% owned by, and under board control of (by virtue of majority voting rights), 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

	2018			2017		
Group	**Joint ventures £'000**	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Cost						
At 1 January	**4,313**	**1,543**	**5,856**	3,627	1,521	5,148
Share of profit for the year	**806**	**24**	**830**	686	22	708
At 31 December	**5,119**	**1,567**	**6,686**	4,313	1,543	5,856

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

	2018			2017		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Investment property	**7,118**	**—**	**7,118**	6,536	—	6,536
Current assets	**5,898**	**1,580**	**7,478**	1,515	1,550	3,065
Non-current assets	**—**	**50**	**50**	—	52	52
Total assets	**13,016**	**1,630**	**14,646**	8,051	1,602	9,653
Current liabilities	**(7,897)**	**(63)**	**(7,960)**	(438)	(59)	(497)
Non-current liabilities	**—**	**—**	**—**	(3,300)	—	(3,300)
Net investment	**5,119**	**1,567**	**6,686**	4,313	1,543	5,856

15. Investment in joint ventures and associates continued

	2018			2017		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Revenue	**17,573**	**28**	**17,601**	5,911	25	5,936
Administration and other expenses	**(17,011)**	**—**	**(17,011)**	(5,599)	(3)	(5,602)
Increase in fair value of investment properties	**428**	**—**	**428**	489	—	489
Operating profit	**990**	**28**	**1,018**	801	22	823
Finance costs	**(164)**	**(4)**	**(168)**	(119)	—	(119)
Profit before tax	**826**	**24**	**850**	682	22	704
Tax	**(20)**	**—**	**(20)**	4	—	4
Share of profits after tax	**806**	**24**	**830**	686	22	708

Details of the Group's investments in joint ventures and associates are listed in note 36.

16. Contract assets

	2018 £'000	2017 £'000
Construction contracts – Construction segment	**1,344**	659
Construction contracts – Property Investment and Development segment	**41,428**	30,273
	42,772	30,932
Due within one year	**42,772**	30,932
Due after more than one year	**—**	—
	42,772	30,932

Amounts relating to construction contracts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed but not yet invoiced. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Contract assets have increased as the Group has provided more services ahead of the agreed billing schedule.

There were no impairment losses recognised on any contract asset in the reporting period (2017: £nil).

As a policy choice the Group does not recognise any assets arising from the costs incurred to obtain a contract.

	Group		Parent Company	
	2018 £'000	2017 (Restated) £'000	**2018 £'000**	2017 £'000
Trade receivables	**63,024**	59,125	**326**	228
Prepayments	**5,575**	5,160	**497**	698
Amounts owed by related companies	**3,541**	865	**—**	—
Amounts owed by Group undertakings	**—**	—	**169,763**	181,381
	72,140	65,150	**170,586**	182,307
Due within one year	**60,225**	62,244	**170,586**	182,307
Due after more than one year	**11,915**	2,906	**—**	—
	72,140	65,150	**170,586**	182,307

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17. Trade and other receivables

Group

Ageing of past due but not impaired trade receivables

	2018 £'000	2017 £'000
30–60 days	**4,775**	4,670
60–90 days	**489**	518
90–120 days	**264**	163
120+ days	**812**	347
	6,340	5,698

Movement in the allowance for doubtful receivables

	2018 £'000	2017 £'000
At 1 January	**491**	648
Impairment losses recognised	**65**	103
Amounts written off as uncollectable	**(74)**	(217)
Amounts recovered during the year	**(58)**	(43)
At 31 December	**424**	491

Ageing of impaired trade receivables

	2018 £'000	2017 £'000
0–30 days	**64**	24
30–60 days	**1**	6
60–90 days	**1**	7
90–120 days	**6**	22
120+ days	**352**	432
	424	491

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 repayable on demand, unsecured and are stated net of provisions for impairment of £1,924,000 (2017: £2,313,000), of which £15,000 (2017: £3,000) has been provided in the year and £404,000 (2017: £80,000) has been recovered in the year. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. Where there are insufficient liquid assets the Parent Company considers the expected manner of recovery to measure expected credit losses. This might be a 'repay over time' strategy, or a fire sale of less liquid assets. Interest is charged annually at 3.5% (2017: 3.5%).

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 forward looking assessments of the economic environment in accordance with IFRS 9 'Financial Instruments'.

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.

18. 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:

Group	Accelerated capital allowances £'000	Property revaluations £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
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 35)	(196)	—	—	—	(196)
At 31 December 2017	492	—	3,879	242	4,613
Recognised in income	**(27)**	**—**	**14**	**(59)**	**(72)**
Recognised in other comprehensive income	**—**	**—**	**(1,054)**	**—**	**(1,054)**
At 31 December 2018	**465**	**—**	**2,839**	**183**	**3,487**
Parent Company					
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
Recognised in income	**12**	**—**	**14**	**(49)**	**(23)**
Recognised in other comprehensive income	**—**	**—**	**(1,054)**	**—**	**(1,054)**
At 31 December 2018	**41**	**—**	**2,839**	**235**	**3,115**

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 £3,452,000 (2017: £3,208,000). 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 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% (2017: 17%) being the rate at which timing differences are expected to reverse.

19. Inventories

	2018 £'000	2017 £'000
Property developments in progress	**24,602**	20,281
House builder land and work in progress	**22,510**	22,640
Land held for development or sale	**58,827**	57,815
Options to purchase land	**16,458**	12,488
Planning promotion agreements	**32,583**	31,379
	154,980	144,603

Within property developments in progress £207,000 (2017: £619,000) 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 or sale, options to purchase land and planning promotion agreements £2,265,000 (2017: £1,350,000) 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.

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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	
	2018	2017
	£'000	£'000
Fair value		
At 1 January	**2,000**	1,050
Transfer from investment property (note 13)	**—**	2,000
Disposals	**(2,000)**	(1,050)
At 31 December	**—**	2,000
Adjustment in respect of tenant incentives	**—**	—
Market value at 31 December	**—**	2,000

Assets classified as held for sale have been valued at 31 December 2018 at fair value by the Directors of the Company at £nil (2017: £2,000,000).

21. Contract liabilities

	2018	2017
	£'000	£'000
Construction contracts – Construction segment	**2,673**	3,225
Construction contracts – Property Investment and Development segment	**121**	—
	2,794	3,225
Due within one year	**2,794**	3,225

	2018	2017
	£'000	£'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Construction contracts – Construction segment	**3,225**	4,656
Construction contracts – Property Investment and Development segment	**—**	—
Revenue recognised from performance obligations satisfied in previous periods		
Construction contracts – Construction segment	**—**	—
Construction contracts – Property Investment and Development segment	**—**	—

There were no significant changes in the contract liability balances during the reporting period.

22. Trade and other payables

	Group		Parent Company	
	2018	2017 Restated	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade payables	**67,219**	68,633	**1,351**	1,998
Social security and other taxes	**7,118**	3,075	**358**	526
Accrued expenses	**1,076**	1,713	**422**	796
Deferred income	**4,487**	5,308	**—**	—
Amounts owed to related parties	**367**	159	**—**	—
Amounts owed to Group undertakings	**—**	—	**72,332**	68,847
	80,267	78,888	**74,463**	72,167
Due within one year	**77,475**	76,204	**74,463**	72,167
Due after more than one year	**2,792**	2,684	**—**	—
	80,267	78,888	**74,463**	72,167

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

Parent Company

Amounts owed to Group undertakings are repayable on demand, unsecured and bear interest at 2.0% (2017: 2.0%).

23. Government grants

Government grants have been received in relation to the infrastructure of one of the Group's land promotions and one 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 £840,000 (2017: £nil).

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

24. 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 2018 this was £18.4m (2017: £29.0m). Equity comprises all components of equity and at 31 December 2018 this was £302.3m (2017: £270.1m).

During 2018 the Group's strategy, was to maintain the debt to equity ratio below 30% (2017: 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 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 the option was exercised to extend the facilities by a further year to 17 February 2020 and on 22 August 2017 an amendment was agreed 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 and continues to do so over forecast periods.

As part of our normal facility renewal process, conversations have been undertaken with several banks regarding the renewal in February 2020 and initial feedback suggests that there is a good level of interest from the banks in tendering for the facilities during 2019 either as a sole provider or under a syndicated arrangement.

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for the year ended 31 December 2018

25. Borrowings

	Group		Parent Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Bank overdrafts	**—**	—	**1,022**	123
Bank loans	**22,422**	30,599	**15,000**	25,000
Finance leases	**3,220**	2,544	**—**	—
Government loans	**3,573**	6,119	**—**	—
	29,215	39,262	**16,022**	25,123
Due within one year	**24,119**	34,340	**16,022**	25,123
Due after one year	**5,096**	5,602	**—**	—
	29,215	39,262	**16,022**	25,123
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	**24,486**	34,786	**16,022**	25,123
In the second year	**2,688**	3,055	**—**	—
In the third to fifth years inclusive	**2,574**	2,198	**—**	—
	29,748	40,039	**16,022**	25,123
Due within one year	**24,486**	34,786	**16,022**	25,123
Due after one year	**5,262**	5,253	**—**	—
	29,748	40,039	**16,022**	25,123

The weighted average interest rates paid were as follows:

	2018	2017
	%	%
Bank overdrafts	**2.34**	2.10
Bank loans – floating rate	**2.28**	1.94
Bank loans – floating rate (relating to Stonebridge Offices Limited)	**3.26**	2.83
Bank loans – floating rate (relating to Stonebridge Homes Limited)	**2.57**	2.29
Finance leases	**2.53**	3.00
Government loans	**0.79**	1.48

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 11 December 2018 at a value of £2,512,000 and is repayable in quarterly instalments of £37,500 that commenced on 11 December 2018, with full and final settlement becoming due on 10 December 2021.

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 24 January 2022. On 25 January 2019 the Stonebridge Homes facility was increased to £10,000,000 with full and final settlement becoming due on 24 January 2022.

25. Borrowings continued

Government loans from the South West of England Regional Development Agency (SWE) and Sedgemoor District Council (SDC) were issued at a borrowing rate of nil%; their fair values are £208,000 (2017: £1,755,000) and £nil (2017: £319,000) respectively.

Government loans from the Homes and Communities Agency (HCA) were issued with a fixed level of interest of £304,000 (2017: £353,000); their fair values are £2,956,000 (2017: £3,285,000) (Education Campus) and £408,000 (2017: £760,000) (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 £1,582,000 (2017: £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 £329,000 (2017: £474,000) 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 £351,000 (2017: £363,000) 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 2018, a 0.5% (2017: 1.0%) change in interest rates, which the Directors consider to be a reasonably possible change, would affect profitability before tax by £105,000 (2017: £347,000).

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

At 31 December 2018, the Group had available £57,000,000 (2017: £47,000,000) 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.

	2018 £'000	2017 £'000
Gross finance lease liabilities – minimum lease payments:		
No later than one year	**1,712**	1,140
Later than one year and no later than five years	**1,611**	1,520
	3,323	2,660
Future finance charges on finance lease liabilities	**(103)**	(116)
Present value of finance lease liabilities	**3,220**	2,544

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25. Borrowings continued

The present value of finance lease liabilities is as follows:

	2018 £'000	2017 £'000
No later than one year	**1,639**	1,066
Later than one year and no later than five years	**1,581**	1,478
	3,220	2,544

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

26. Provisions

	Land promotion £'000	Road maintenance £'000	Total £'000
At 31 December 2017			
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
Additional provisions in year	**1,524**	**1,880**	**3,404**
Unwinding of discount	**7**	**—**	**7**
Utilisation of provisions	**(1,747)**	**(1,714)**	**(3,461)**
At 31 December 2018	**6,062**	**1,877**	**7,939**
Included in current liabilities	**3,847**	**1,877**	**5,724**
Included in non-current liabilities	**2,215**	**—**	**2,215**
	6,062	**1,877**	**7,939**

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 £77,000 and £298,000 respectively (2017: £88,000 and £304,000).

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 £194,000 (2017: £157,000).

26. 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 (2017: 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 108 and 34 acres respectively (2017: 105 and 24), and has subsequently recognised provisions to the value of £6,062,000 (2017: £6,278,000), 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 £2,254,000 (2017: £4,435,000), has therefore not been recognised in these Financial Statements.

27. 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 3% (2017: 3%) of salary is paid by the employee, on a pound for pound basis up to a maximum of 8%.

The total cost charged to income of £2,198,000 (2017: £1,730,000) 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.

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27. 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 2018 by a qualified independent actuary and the next formal actuarial valuation as at 31 December 2018 is currently in progress. 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:

	2018 **%**	2017 %
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	**2.80**	2.50

Mortality assumptions	**2018** **Years**	2017 Years
Retiring today (aged 65)		
Male	**22.0**	22.1
Female	**24.0**	24.1
Retiring in 20 years (currently aged 45)		
Male	**23.0**	23.2
Female	**25.2**	25.3

The mortality assumptions adopted are the Self Administered Pension Schemes (SAPS) tables with allowance for future improvements in line with Continuous Mortality Investigation (CMI) 2017 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 3.2%
Rate of general increases in salaries	0.25%	Nil*	Nil*
Liabilities discount rate	0.25%	Decrease by 3.9%	Increase by 4.1%
Rate of mortality	1 year	Increase by 3.9%	Decrease by 3.7%

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

27. Retirement benefit obligations continued

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

	2018 £'000	2017 £'000
Service cost:		
Current service cost	**1,031**	1,065
Ongoing scheme expenses	**483**	507
Past service cost	**1,500**	—
Net interest expense	**565**	712
Pension Protection Fund	**160**	156
Pension expenses recognised in profit or loss	**3,739**	2,440
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**4,451**	(9,831)
Actuarial gains arising from changes in demographic assumptions	**(1,093)**	(1,733)
Actuarial (gains)/losses arising from changes in financial assumptions	**(9,557)**	9,258
Actuarial gains recognised in other comprehensive income	**(6,199)**	(2,306)
Total	**(2,460)**	134

Past service costs of £1.5m are in respect of GMP equalisation and are an estimate by the Directors following detailed consultation with the scheme actuary. The entire charge is recognised in profit or loss.

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

	2018 £'000	2017 £'000
Present value of scheme obligations	**186,785**	197,365
Fair value of scheme assets	**(170,075)**	(174,540)
	16,710	22,825

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

	2018 £'000	2017 £'000
Non-current liabilities	**16,710**	22,825

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

	2018 £'000	2017 £'000
At 1 January	**197,365**	190,974
Current service cost	**1,031**	1,065
Interest on obligation	**4,875**	5,259
Contributions from scheme members	**—**	1
Actuarial (gain)/losses	**(10,650)**	7,525
Past service cost	**1,500**	—
Benefits paid	**(7,336)**	(7,459)
At 31 December	**186,785**	197,365

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27. Retirement benefit obligations continued

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

	2018 £'000	2017 £'000
At 1 January	**174,540**	164,578
Interest income	**4,310**	4,547
Actuarial (losses)/gains on scheme assets	**(4,451)**	9,831
Employer contributions	**3,495**	3,549
Contributions from scheme members	**—**	1
Benefits paid	**(7,336)**	(7,459)
Ongoing scheme expenses	**(483)**	(507)
At 31 December	**170,075**	174,540

The categories of plan assets are as follows:

	2018 £'000	2017 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	**45,891**	44,675
Synthetic equity	**—**	13,297
Diversified growth funds	**11,593**	34,475
Diversified credit funds	**61,458**	37,377
Cash and net current assets	**1,322**	903
Unquoted investments:		
Direct lending	**21,959**	19,833
Collateralised loan obligations	**21,567**	22,301
Special situations	**6,285**	1,679
At 31 December	**170,075**	174,540

The weighted average duration of the defined benefit obligation is 16.0 years (2017: 16.3 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2019 financial year is £3,432,000, being £3,432,000 payable by the Group and £nil 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.

28. Operating leases

The Group as lessee

	2018 £'000	2017 £'000
Minimum lease payments under operating leases recognised in the Consolidated Statement of Comprehensive Income for the year	**481**	391

At 31 December 2018, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 £'000	2017 £'000
Within one year	**472**	350
In the second to fifth years inclusive	**1,521**	1,157
After five years	**437**	635
	2,430	2,142

28. Operating leases continued

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

The Group as lessor

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

Future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December which are not discounted are as follows:

	2018	2017
	£'000	£'000
Within one year	**7,783**	8,140
In the second to fifth years inclusive	**23,026**	28,758
After five years	**79,184**	84,349
	109,993	121,247

29. Related party transactions

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

	2018	2017
Parent Company	**£'000**	£'000
Management charges receivable	**1,140**	1,140
Interest receivable	**5,921**	6,282
Interest payable	**(1,922)**	(1,911)
Rents payable	**(155)**	(155)
Recharge of expenses	**392**	459

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

	2018	2017
Purchases of goods and services	**£'000**	£'000
Close family members of key management personnel (amounts paid for IT services)	**43**	39
Related companies of key management personnel (amounts paid for Non-executive Director services)	**45**	44

Amounts owing by related parties (note 17) or to related parties (note 22) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The key management personnel of the Group are the Board of Directors and members of the Senior Management team of wholly owned subsidiaries, as presented on page 70 to 72. They are responsible for making all of the strategic decisions of the Group and its subsidiaries, as detailed on page 4 and 40 to 45. The remuneration of the Board of Directors is set out in the Remuneration Report on pages 89 to 100. The remuneration of the relevant four (2017: 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'.

	2018	2017
	£'000	£'000
Short-term employee benefits	**1,666**	1,660
Post-employment benefits	**16**	27
	1,682	1,687

Notes to the Financial Statements

for the year ended 31 December 2018

30. Share capital

	Allotted, issued and fully paid	
	2018	2017
	£'000	£'000
400,000 5.25% cumulative preference shares of £1 each (2017: 400,000)	**400**	400
133,146,602 ordinary shares of 10p each (2017: 133,010,911)	**13,315**	13,301
	13,715	13,701

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%, on 24 October 2017 at a price of 270.0p at a discount of 10% and on 4 October 2018 at a price of 262.0p at a discount of just under 5.8%. These become exercisable for a six-month period from 1 December 2017, 1 December 2018 and 1 December 2021 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.

2017

	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**

2018

	Options outstanding at 31 December 2017	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2018**
October 2014 grant	105,691	**—**	**—**	**(105,691)**	**—**
October 2017 grant	961,348	**—**	**(181,604)**	**—**	**779,744**
October 2018 grant	—	**283,413**	**(6,113)**	**—**	**277,300**

The weighted average share price at the date of exercise for share options exercised during the year was 316.81p (2017: 299.98p).

(ii) The Henry Boot 2006 Long Term Incentive Plan

This plan was approved by shareholders at an EGM held on 20 July 2006. Details of the Plan and the vesting requirements are set out in the Directors' Remuneration Policy which is available to view on the website: www.henryboot.co.uk/about-us/governance.

(iii) The Henry Boot 2015 Long Term Incentive Plan

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

30. Share capital continued

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

	2018 Number	2017 Number
Share options granted at 1 January	**1,022,648**	881,481
Lapses of share options in year	**(122,189)**	(148,194)
Awards of shares in year	**(140,288)**	(295,475)
Share options granted in year	**250,452**	584,836
Share options granted at 31 December	**1,010,623**	1,022,648

The weighted average share price at the date of exercise for share options exercised during the year was 292.00p (2017: 295.02p).

(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. The fourth grant of options under the plan was made to certain employees (two of whom at the time were Directors of Group companies) on 14 September 2018 at an option price of 291.0p. There were no performance conditions imposed on either of these grants.

2017

	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**

2018

	Options outstanding at 31 December 2017	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2018
May 2011 grant	16,000	**—**	**—**	**—**	**16,000**
October 2014 grant	65,000	**—**	**—**	**(30,000)**	**35,000**
October 2017 grant	149,747	**—**	**(837)**	**—**	**148,910**
September 2018 grant	—	**291,403**	**(2,062)**	**—**	**289,341**

The weighted average share price at the date of exercise for share options exercised during the year was 314.59p (2017: 291.08p).

Notes to the Financial Statements

for the year ended 31 December 2018

30. Share capital continued

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	**CSOP 2018**	**Sharesave 2018**
Weighted average exercise price	Nil	121.5p	191.0p	172.0p	298.9p	270.0p	**291.0p**	**262.0p**
Weighted average share price	243.5p	121.5p	191.0p	181.0p	309.0p	300.0p	**291.0p**	**278.0p**
Expected volatility	29.37% to 32.10%	41.47%	31.17%	31.45%	30.37%	30.30%	**29.28%**	**29.53%**
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	**3 years**	**3 years**
Risk-free rate	0.14% to 0.94%	1.67%	1.23%	0.82%	0.51%	0.51%	**0.91%**	**0.99%**
Expected dividend yield	2.71% to 3.02%	5.02%	3.16%	3.16%	3.02%	3.02%	**2.90%**	**2.90%**

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 75.99p (2017: 76.90p).

Expense recognised in the Consolidated Statement of Comprehensive Income

	2018 £'000	2017 £'000
The total expense recognised in the Consolidated Statement of Comprehensive Income arising from share-based payment transactions	**659**	554

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

31. Reserves

			Other			
Group	Property revaluation £'000	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Total other £'000
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
Profit for the year	**—**	**37,505**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**(11,161)**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**—**	**226**	**—**	**226**
Decrease in fair value in year	**(153)**	**—**	**—**	**—**	**—**	**—**
Deferred tax on revaluation surplus	**—**	**—**	**—**	**—**	**—**	**—**
Arising on employee share schemes	**—**	**250**	**—**	**—**	**—**	**—**
Unrecognised actuarial gain	**—**	**6,199**	**—**	**—**	**—**	**—**
Deferred tax on actuarial gain	**—**	**(1,054)**	**—**	**—**	**—**	**—**
At 31 December 2018	**3,397**	**276,999**	**271**	**5,867**	**209**	**6,347**

31. Reserves continued

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Investment revaluation £'000	Other: Total other £'000
At 31 December 2016	54,835	271	4,131	211	1,135	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	1,135	7,258
Profit for the year	**19,367**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**(11,161)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**226**	**—**	**—**	**226**
Arising on employee share schemes	**(80)**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial gain	**6,199**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial gain	**(1,054)**	**—**	**—**	**—**	**—**	**—**
At 31 December 2018	**85,513**	**271**	**5,867**	**211**	**1,135**	**7,484**

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. This reserve in not distributable.

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.

32. Cost of shares held by the ESOP trust

	2018 £'000	2017 £'000
At 1 January	**1,240**	1,071
Additions	**429**	782
Disposals	**(409)**	(613)
At 31 December	**1,260**	1,240

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 2018, the Trustee held 533,309 shares (2017: 523,597 shares) with a cost of £1,260,185 (2017: £1,240,416) and a market value of £1,282,609 (2017: £1,670,276). 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.

Notes to the Financial Statements

for the year ended 31 December 2018

33. Cash generated from operations

		Group		Parent Company	
		2018	2017 Restated	**2018**	2017
		£'000	£'000	**£'000**	£'000
Profit before tax		**48,604**	55,392	**18,459**	23,452
Adjustments for:					
Amortisation of PFI asset	11	**497**	870	**—**	—
Goodwill impairment	11	**204**	203	**—**	—
Depreciation of property, plant and equipment	12	**5,370**	4,899	**217**	162
Impairment of land and buildings	12	**—**	48	**—**	—
Revaluation decrease in investment properties	13	**92**	3,597	**—**	—
Amortisation of capitalised letting fees	3	**100**	48	**—**	—
Share-based payment expense	4	**659**	554	**328**	307
Pension scheme debit/(credit)		**84**	(1,265)	**84**	(1,265)
Movements on provision against investments in subsidiaries	14	**—**	—	**(10,354)**	(15,244)
Movements on provision against loans to subsidiaries		**—**	—	**(389)**	(77)
Loss on disposal of assets held for sale	3	**36**	98	**—**	—
(Gain)/loss on disposal of property, plant and equipment	3	**(891)**	(379)	**5**	2
Gain on disposal of investment properties		**(1,401)**	(127)	**—**	—
Finance income	5	**(275)**	(189)	**(18,243)**	(33,238)
Finance costs	6	**1,698**	1,703	**2,678**	2,757
Share of profit of joint ventures and associates	15	**(830)**	(708)	**—**	—
Operating cash flows before movements in equipment held for hire		**53,947**	64,744	**(7,215)**	(23,144)
Purchase of equipment held for hire	12	**(4,357)**	(3,283)	**—**	—
Proceeds on disposal of equipment held for hire		**1,048**	654	**—**	—
Operating cash flows before movements in working capital		**50,638**	62,115	**(7,215)**	(23,144)
Increase in inventories		**(10,177)**	(6,500)	**—**	—
(Increase)/decrease in receivables		**(6,980)**	(9,681)	**19,188**	20,247
Increase in contract assets		**(11,840)**	(13,294)	**—**	—
Increase/(decrease) in payables		**1,066**	15,099	**1,273**	(1,549)
Decrease in contract liabilities		**(431)**	(1,401)	**—**	—
Cash generated from/(used by) operations		**22,276**	46,338	**13,246**	(4,446)

34. Guarantees and contingencies

The Parent Company has guaranteed the performance of certain contracts entered into by Group undertakings in the ordinary course of business. These guarantees are impracticable to quantify.

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. At the year end amounts drawn against these facilities were £15.0m and £17.6m respectively.

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

35. 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

for the year ended 31 December 2018

36. 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 2018, are as follows:

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Banner Plant Limited	100%	Direct	Plant hire
Buffergone Limited	100%	Direct	Inactive
Capitol Park Property Services Limited	4.6%	Indirect	Management company
Chocolate Works York Management Company Limited	100%	Indirect	Management company
Comstock (Kilmarnock) Ltd	100%	Indirect	Land promotion
First National Housing Trust Limited	100%	Direct	Property investment
Fox Valley Management Company Limited	50%	Indirect	Management company
Hallam Land Management Limited	100%	Direct	Land promotion
HB Island Limited	100%	Direct	Property development
HBGP Limited	100%	Direct	Property development
Henry Boot Biddenham Limited	100%	Direct	Land promotion
Henry Boot Construction Limited	100%	Direct	Construction
Henry Boot Contracting Limited	100%	Direct	Inactive
Henry Boot Developments Limited	100%	Direct	Property investment and development
Henry Boot (Enfield) Limited	100%	Indirect	Inactive
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	Inactive
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
IAMP Management Company Limited	100%	Indirect	Management company
Investments (North West) Limited	100%	Indirect	Property development
Marboot Centregate Ltd	100%	Indirect	Property investment
Marboot Centregate 2 Limited	100%	Indirect	Property investment
Moore Street Securities Limited	100%	Direct	Employee benefit trust
Moorlands Cleckheaton Management Company Limited	50%	Indirect	Management company
Northfields Rotherham Management Company Limited	53%	Indirect	Management company
Plot 7 East Markham Vale Management Company Limited	66.7%	Indirect	Management company
Road Link (A69) Holdings Limited	61.2%	Indirect	Holding company
Road Link (A69) Limited	61.2%	Indirect	PFI road maintenance
Saltwoodend Limited	100%	Indirect	Inactive
Stonebridge Offices Limited	50%	Indirect	Property investment
Stonebridge Homes Limited	50%	Indirect	Property development
The Residence (York) Management Company Limited	100%	Indirect	Management company
Victoria Gardens (Headingley) Management Company Ltd	50%	Indirect	Management company
Winter Ground Limited	100%	Indirect	Property development
Woodside Park Newlay Estate Management Limited	50%	Indirect	Management company

36. 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
Cognito Oak LLP	50%	Indirect	Property development
HBB Preston East Limited	50%	Indirect	Property development
HBB Roman Way Limited	50%	Indirect	Property development
Henry Boot Barnfield Limited	50%	Indirect	Property development
I-Prop Developments Limited	50%	Indirect	Inactive
Kirklees Henry Boot Partnership Limited	50%	Indirect	Inactive
Markey Colston Limited	18.4%	Indirect	Property investment
Montagu 406 Regeneration LLP	50%	Indirect	Property investment
Newmarket Lane Holding Limited	50%	Indirect	Property development
Newmarket Lane Limited	50%	Indirect	Property development
Newmarket Lane Management Company Limited	50%	Indirect	Management company
Pennine Property Partnership LLP	50%	Indirect	Property investment and development
Road Link Limited	37.6%	Indirect	Inactive

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, Moorlands Cleckheaton 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, HBB Roman Way Limited and HBB Preston East Limited whose registered office is 8 Kenyon Road, Lomeshaye Industrial Estate, Nelson, Lancashire, England, BB9 5SP.

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.

Cognito Oak LLP whose registered office is Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, Scotland, AB10 6XL.

Shareholder Information

Find useful information for shareholders

Positively challenging what we do and how we do it.

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 DoubleTree by Hilton Hotel Sheffield Park, Chesterfield Road South, Sheffield, S8 8BW on Thursday 23 May 2019 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 2018.

Resolution 2
To declare a final dividend of 5.80p per ordinary share.

Resolution 3
To approve the Directors' Remuneration Report for the year ended 31 December 2018.

Resolution 4
To reappoint Jamie Boot as a Director of the Company.

Resolution 5
To reappoint John Sutcliffe as a Director of the Company.

Resolution 6
To reappoint Darren Littlewood as a Director of the Company.

Resolution 7
To reappoint Joanne Lake as a Director of the Company.

Resolution 8
To reappoint James Sykes as a Director of the Company.

Resolution 9
To reappoint Peter Mawson as a Director of the Company.

Resolution 10
To reappoint Gerald Jennings as a Director of the Company.

Resolution 11
To reappoint PricewaterhouseCoopers LLP as auditors of the Company.

Resolution 12
To authorise the Audit and Risk Committee to fix the auditors' remuneration.

Resolution 13

THAT pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £4,438,220, provided that (unless previously revoked, varied or renewed) this authority shall expire on 22 August 2020 or at the conclusion of the next AGM of the Company after the passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under Section 551 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

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

Resolution 14

THAT subject to the passing of Resolution 13 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 13 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

a. in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
   i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
   i. 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 £665,733, and (unless previously revoked, varied or renewed) this power shall expire on 22 August 2020 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

Resolution 15

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 13,314,660;

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

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

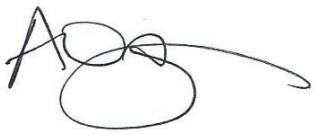
   i. an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and

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

d. the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 22 August 2020; 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



Amy Oakley
Company Secretary
11 April 2019

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 21 May 2019 (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 21 May 2019 (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 21 May 2019 (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 21 May 2019 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notice of Annual General Meeting

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

The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

   The statement of the rights of shareholders in relation to the appointment of proxies in notes 4 to 7 above does not apply to a Nominated Person. The rights described in such notes can only be exercised by shareholders of the Company.
10. A shareholder or shareholders having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company (see note 15 below), or at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital, may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the meeting relating to either the audit of the Company's Financial Statements (including the Auditors' Report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with auditors of the Company ceasing to hold office since the last AGM of the Company in accordance with Section 527 of the Companies Act 2006.

    Any such request must:

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

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

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

11. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 10:
    a. may be made either:
        i. in hard copy, by sending it to the Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD; or
        ii. in electronic form, by sending it by email to cosec-ir@henryboot.co.uk. Please state 'Henry Boot PLC: AGM' in the subject line of the email;
    b. must state the full name(s) and address(es) of the shareholder(s); and
    c. where the request is made in hard copy form, it must be signed by the shareholder(s).
12. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Companies Act 2006. The Company must answer any such question unless:
    a. to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;
    b. the answer has already been given on a website in the form of an answer to a question; or
    c. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. The information required by Section 311A of the Companies Act 2006 to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at: **www.henryboot.co.uk**
14. Except as expressly provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:
    a. telephone 0114 255 5444; or
    b. email cosec-ir@henryboot.co.uk.

    No other methods of communication will be accepted.
15. As at 2 April 2019 (being the last practicable date before publication of this notice), the Company's issued ordinary share capital was 133,146,602 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 2018:
22 March 2019

Interim Results 2019:
23 August 2019

Pre-close Trading Statement 2019:
end January 2020

Annual Report and Financial Statements
Annual Report and Financial Statements 2018 (Available and online):
by 18 April 2019

Annual General Meeting
23 May 2019

Dividends Paid on Ordinary Shares
2018 Final dividend date (Subject to approval at AGM):
29 May 2019

2019 Interim dividend date (Subject to approval):
18 October 2019

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
25 Charterhouse Square
London EC1M 6AE

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
30 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

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

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.

Designed and published by Jones and Palmer

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

Stock Code: BOOT.L