Henry Boot

HENRY BOOT PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

www.henryboot.co.uk

Stock code: BHY

CREATING VALUE...

CHAIRMAN'S STATEMENT

John Brown Chairman

I am delighted to report another year of strong returns for our Group with profit before tax of £28.3m, a 54% increase on £18.4m achieved in 2013.

Company Facts

- Profit before tax of £28.3m
- Proposed final dividend of 3.50p per share
- 2,100 plots added to land portfolio

Read our Financial Statements in detail on page 82

View more content online at: www.henryboot.co.uk

Strategic progress

I am delighted to report another year of strong returns for our Group with profit before tax of £28.3m, a 54% increase on £18.4m achieved in 2013. It is also pleasing to report that all of the businesses within the Group performed well in their market segment, supported by a generally improving UK economy.

In our view, 2014 was the second full year of our recovery from the bottom of the property cycle. The UK house building industry performed well, in what have been described as balanced market conditions, and this allowed us to sell sites with planning permission at competitive prices. Further investment in the planning process added over 2,100 plots to our portfolio of permissioned sites, an impressive replenishment rate, given that we sold approximately 1,100 plots in the year.

2014 saw the UK commercial property development market improve significantly, with Henry Boot activity high throughout the year and we were able to complete several schemes. In addition, we have a number of projects in progress for 2015 and opportunities beyond that are even more encouraging. It is pleasing to report that the cyclical upswing is once again helping the development business steadily improve both activity and profitability levels compared to the last few years' subdued trading performance. In addition, our jointly owned house builder, Stonebridge Projects Limited, had a good year and is now becoming a contributor to profits with good, long-term growth prospects. Finally, our Construction division traded well in 2014 and our Plant business had one of its best ever years which, combined with the stable income from the Road Link PFI, resulted in this segment of the business achieving a 12% increase in profit before tax over 2013.

Dividend

I am pleased to report that, following on from the very good result for the year, the Board will recommend an increased final dividend of 3.50p giving a total for the year of 5.60p (2013: 5.10p), an increase of approximately 10% over 2013 and a record for the Company.

Payment of the final dividend is subject to approval by shareholders at the Annual General Meeting and will be paid on 29 May 2015 to shareholders on the register as at 1 May 2015.

Talented people

A key element of our strategy is to commercially empower our incredibly talented people to identify and obtain land, development and construction opportunities, achieve success in planning, and deliver a profitable finished product. On behalf of my fellow Directors and our shareholders, thank you all for your efforts in 2014 and achieving such a great result. I look forward to seeing our teams achieve further success in 2015 and beyond.

Outlook

Henry Boot enters 2015 in great shape, with a portfolio of high quality opportunities to deliver growing shareholder returns. The 2015 financial year has started positively. We have already concluded two land sales and agreed terms on several others for completion later in the year and we recently announced encouraging news with regard to a major development in Aberdeen. We have a comparatively larger number of developments compared to prior years which are progressing well to deliver anticipated financial returns on completion. Our strategic direction remains the delivery of long-term growth in shareholder value through investing capital in the early stages of a land or commercial development's lifespan. In the shorter term, we remain confident that prevailing economic and market conditions will allow us to deliver growing returns through 2015. In the longer term we continue to identify and acquire numerous valuable opportunities to enable us to deliver this strategic goal, well into the future.

J E Brown
Chairman
17 April 2015

Henry Boot

CONTENTS

OUR GROUP OPERATIONS

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

Land Development

Revenue
£39.0m
2013: £37.7m

Hallam Land Management Limited

The strategic land and planning promotion arm of the Henry Boot Group. Our experienced land and planning teams promote and deliver land opportunities through the complexities of the UK planning system. The company has been acquiring, promoting, developing and trading in land since 1990. We have established an outstanding record in resolving planning and associated technical problems in order to secure planning permission for a whole range of different land uses.

Find out more about Land Development on pages 8–11

Property Investment and Development

Revenue
£25.8m
2013: £37.6m

Henry Boot Developments Limited

A major force in the UK property development market. With its considerable experience and impressive reputation in all sectors of property development, the company has built up a substantial investment portfolio in recent years.

Stonebridge Projects Limited

A jointly owned company in the north of England which develops family homes that combine care, consideration and attention to detail to create a place where luxury living comes to life. The company also provides high specification fully serviced office space to the market.

Find out more about Property Investment and Development on pages 12–15

Construction

Revenue
£82.4m
2013: £78.5m

Henry Boot Construction Limited

We specialise in serving both public and private clients in all construction sectors, including civil engineering. Our jobs are delivered to the highest quality, safely, on time, within agreed costs and to the maximum benefit to all parties.

Banner Plant Limited

We offer a wide range of products and services for sale and hire. Continuing investment is made to develop and meet the increasing needs of its many varied customers in commerce, industry and the general public.

Road Link (A69) Limited

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

Find out more about Construction on pages 16–19

OVERVIEW

OUR GROUP LOCATIONS

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

National coverage with over

200 projects

Ongoing high quality opportunities

HEAD OFFICE

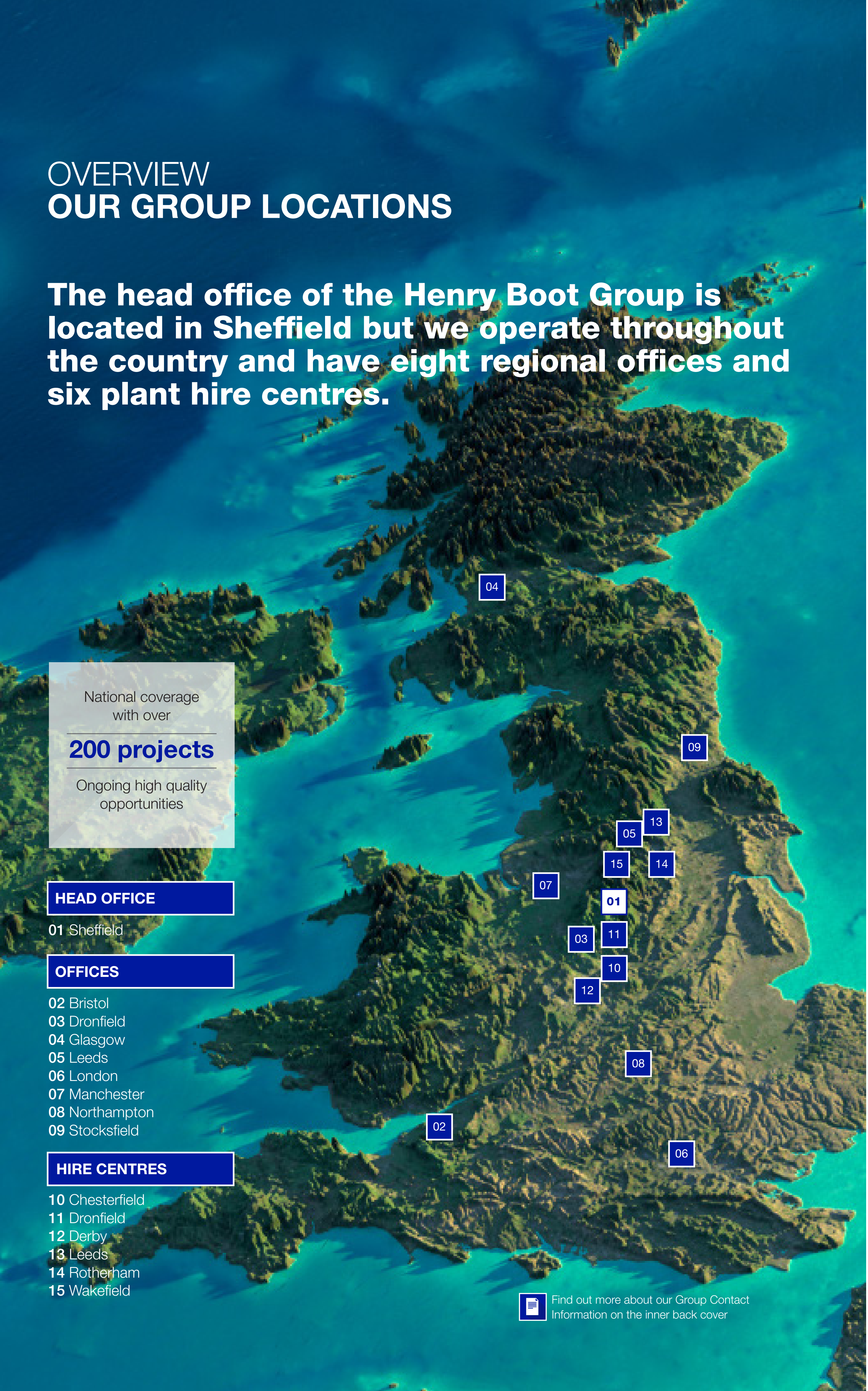
01 Sheffield

OFFICES

02 Bristol
03 Dronfield
04 Glasgow
05 Leeds
06 London
07 Manchester
08 Northampton
09 Stocksfield

HIRE CENTRES

10 Chesterfield
11 Dronfield
12 Derby
13 Leeds
14 Rotherham
15 Wakefield



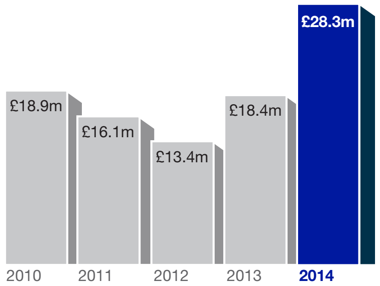
Find out more about our Group Contact Information on the inner back cover

OVERVIEW

OUR PERFORMANCE IN 2014

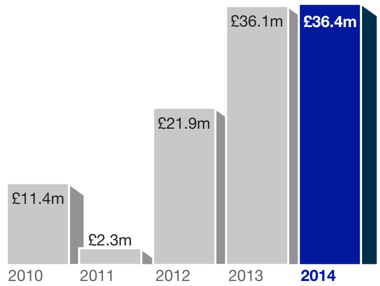
PROFIT BEFORE TAX (£m)

↑54%
(2013: 37%)



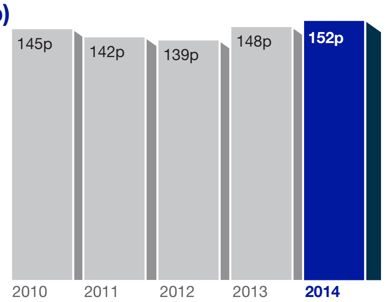
NET DEBT (£m)

↑1%
(2013: 65%)



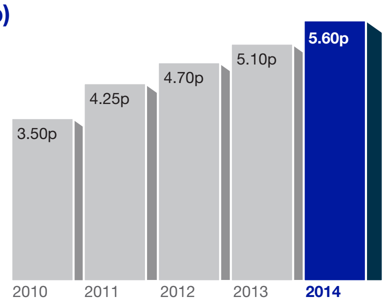
NET ASSET VALUE PER ORDINARY SHARE (p)

↑3%
(2013: 6%)



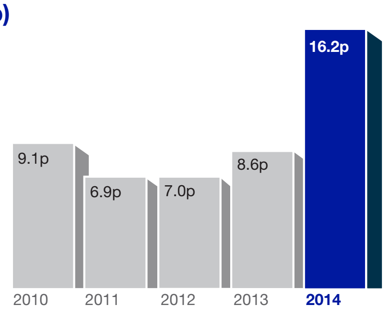
DIVIDENDS PER ORDINARY SHARE (p)

↑10%
(2013: 9%)



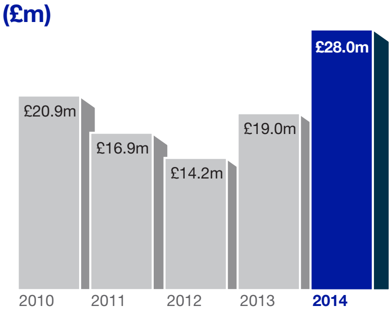
EARNINGS PER ORDINARY SHARE (p)

↑88%
(2013: 23%)



OPERATING PROFIT (£m)

↑47%
(2013: 35%)



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

Financial and Operational Highlights

- Trading environment across all business streams improved further during 2014.
- Best financial result since 2007.
- Value creation achieved by improving the planning position or development use of speculatively acquired assets.
- Construction segment, including Road Link (A69) performed well. Plant business had a record year.
- Recommended final dividend of 3.50p giving a total of 5.60p for the year, a record for the Company.
- The 2015 financial year has started positively.

CREATING VALUE...
FOR OUR STAKEHOLDERS

John Sutcliffe
Group Finance Director

Jamie Boot
Group Managing Director

WELCOME TO OUR STRATEGIC REPORT

We have pleasure on behalf of the Directors to present this Strategic Report for the Group for the year ended 31 December 2014.

This report will set out to show how Henry Boot creates 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 2 to 43 has been approved by the Board and signed on its behalf by

Jamie Boot — Group Managing Director
John Sutcliffe — Group Finance Director
17 April 2015

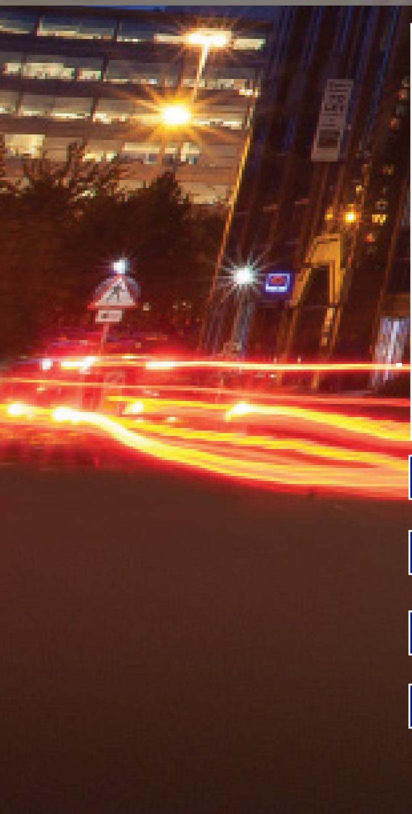
Q

WHAT ARE THE BENEFITS OF RECURRING AND CYCLICAL REVENUES?

A

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

See Our Business Model on pages 4 and 5



Period Events

Henry Boot PLC:

- Best financial result since 2007
- Higher land sale profits for land development
- Further investment in development and property assets
- Construction division operating profits improved by 13%

Read more about Land Development on pages 8 -11

Find out more about Property Investment and Development on pages 12-15

Find out more about Construction on pages 16-19

Read about our Corporate Responsibility on pages 20-27

01

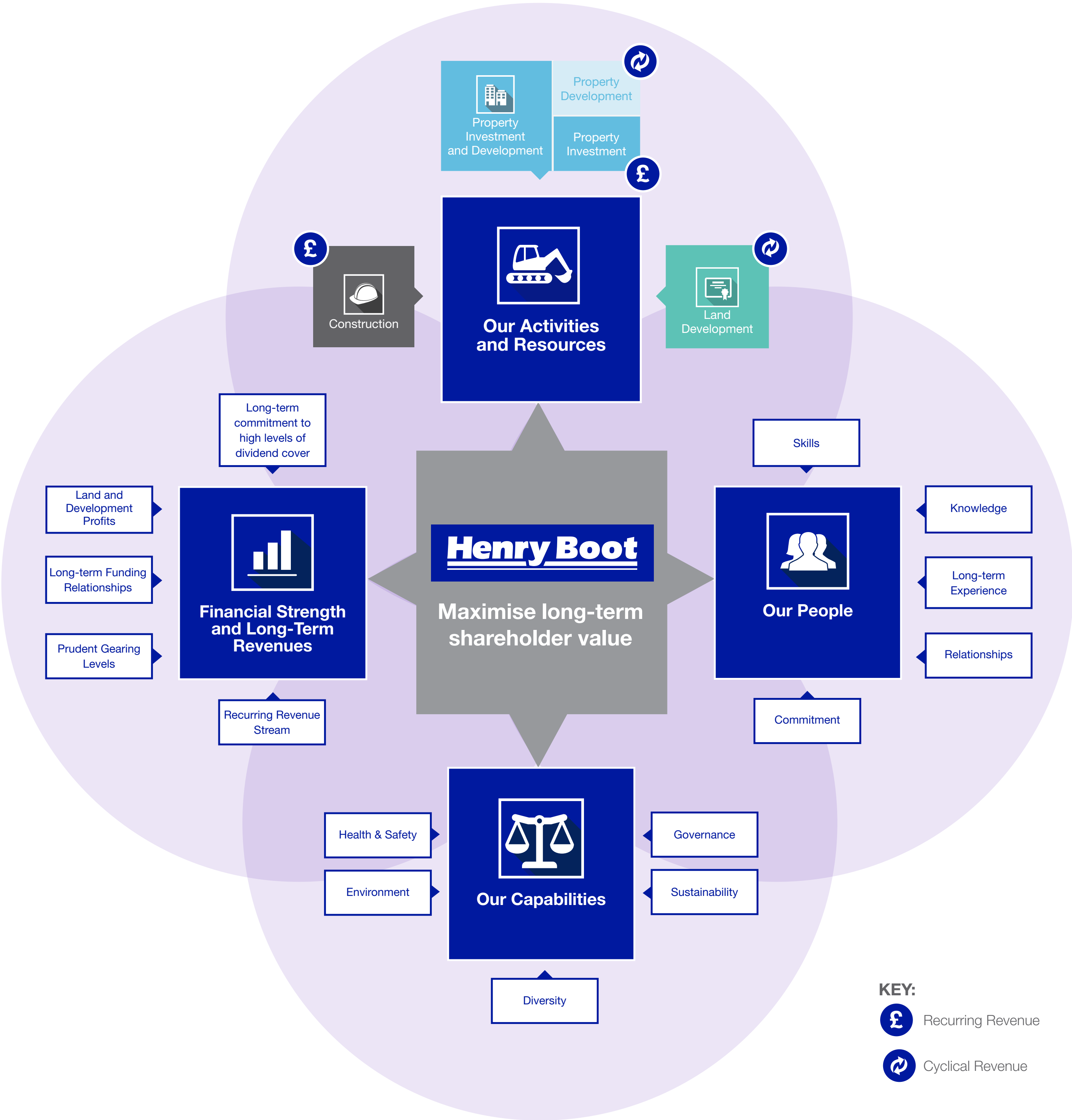
STRATEGIC REPORT

OUR KEY OBJECTIVE
TO MAXIMISE LONG-TERM SHAREHOLDER VALUE

Find out more about our Strategy on pages 6 and 7

OUR BUSINESS MODEL

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



Recurring revenue streams are generated by property investments and construction activities which allow us to maintain long-term funding relationships at prudent gearing levels, which in turn enable land development and property development activities to create cyclical long-term revenue.

OUR ACTIVITIES AND RESOURCES

Land Development

At 31 December 2014 we owned 1,819 acres and had interests in a further 8,166 acres through option or planning promotion agreements which give us the right to promote that land for a planning consent and share in the benefit created on ultimate disposal. We anticipate that this land bank will grow in future years and represents a significant future profit opportunity to the Group. Within that acreage, at 31 December 2014 we had planning permission for over 11,500 house units on some 40 sites.

Find out more about Land Development on page 8

Property Investment

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

Find out more about Property Investment on page 12

Property Development

We identify and secure development opportunities then we add value by securing planning permissions. We have an extensive geographical spread of commercial development opportunities within the UK on sites across the retail, leisure, office and industrial sectors. The current portfolio should allow us to maintain current levels of activity for several years. We have a small but growing house building interest that we hope to develop into a more substantial profit centre.

Find out more Property Development on page 12

Construction

The construction business works on an order book of between one and two years, though a number of the framework contracts it has are spread over several years. We have many years' experience working in our chosen markets and have delivered many successful projects developing strong relationships with our key customers. Our plant hire business operates from six locations and has a modern, well-maintained fleet of assets servicing the construction sector. Furthermore, we operate our own delivery fleet to ensure that our customers' requirements are satisfied quickly. Our PFI asset is well-established, cash generative and efficiently maintained and has 11 years remaining on the concession; furthermore, the market for PFI assets remains strong even in the event of disposal.

Find out more about Construction on page 16

Our People

The Group's employees are at the heart of all that we achieve. Our people are highly talented, successful and motivated individuals and are essential to the success of the Group. We are committed to ensuring that we have the right people working for us and manage this process through a robust people strategy. Their skill, commitment, drive and enthusiasm are vitally important to the long-term success of our business.

Find out more about Our People on page 23

Our Capabilities

We succeed in the delivery of shareholder value because our people, individually, achieve the targets set for them. They source and acquire land, promote planning consents, acquire, develop, manage or sell investment properties and service constructors with plant, run our PFI project and refurbish and construct buildings.

Find out more about Our Capabilities on page 20

Financial Strength and Long-Term Revenues

We have long-established relationships with our key funding partners, Barclays Bank PLC, The Royal Bank of Scotland plc and, more recently, Santander UK plc. We maintain headroom within our three year banking facilities, renewed from February 2015, and consider our property investment portfolio as a 'store of value' to be realised to augment these facilities if required. The land bank and development opportunities, together with the investment portfolio, have been acquired largely from retained resources ensuring our gearing levels are prudent. In the longer term we aim to achieve a healthy return on capital employed and dividend cover for reinvestment in our core activities which, in turn, creates improving longer-term shareholder returns.

Find out more about Financial Strength on page 28

OUR STRATEGY

Our key objective

We define our key objective as follows:

To maximise long-term shareholder value through the promotion of land development, the development of and investment in high quality property assets and construction activities.

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

Our vision

A consideration that goes to the heart of our strategic discussions is a rather under-utilised concept today – prudently investing for the long-term. Henry Boot has been in operation since 1886, has seen many economic cycles come and go but has continued to provide an income return to shareholders over many years, in fact the dividend has trebled over the last 18 years. Our strategic decision-making has to be flexible enough to deal with the vagaries of the economic cycle, maximising opportunities arising throughout the cycle and successfully achieving our main business initiatives noted on page 7. These goals have to be achieved whilst at all times maintaining prudent borrowing levels to ensure that the long-term security of our asset base and our ability to pay dividends is not compromised.

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

What we are seeing as market trends

The trading environment across all our business streams improved further during 2014. The UK economy has recovered well and is showing signs of resilience compared to other global economies.

It is expected that UK growth will continue and with a combination of low interest rates and previous quantitative easing, there is a strong basis for continued recovery in our market segment. There are risk factors of course, with it being an election year, the continued Eurozone financial fragility, and when interest rates rise there will be a heavier burden on spending growth.

Our progress in 2014

As anticipated in last year's performance review, trading throughout 2014 across all parts of our business was very encouraging; the UK economy is recovering steadily and our marketplaces improved throughout the year. The Group achieved its best financial result since 2007 as we benefited from the land and development site investments, made through the nadir of the last economic cycle, and subsequent success within the UK planning process. These schemes are increasingly becoming available for sale into the stronger conditions prevailing in today's marketplace.

This opportunity portfolio is now larger and more valuable than we have seen for many years and results from the commitment to our key strategy: the creation of long-term shareholder value. Value creation is primarily achieved by improving the planning position or development use of speculatively acquired assets. As always, the interaction with the UK planning process is uncertain, expensive, highly political, and very inconsistent over time. We successfully achieve results through the skill, determination and drive of our teams, coupled with long-term financial support required to successfully achieve these aims.

The segmental business review highlights the success achieved in 2014 and the pipeline of opportunities we expect to bring forward in 2015, and beyond. In particular, we saw commercial development risk reduce through 2014 as tenant demand, investor appetite and yields on completed schemes all improve the risk-weighted return from a development opportunity. Strategic land markets also remained very buoyant in 2014 as UK house builders continued to restock their land banks. We sense that the planning system is beginning to tighten as we approach the General Election in May 2015, and the major house builders are moving to replenish, rather than rebuild, their land portfolios. The construction segment, including Road Link (A69), once again performed well; our plant business had a record year for profit and construction workloads are on an improving trend supported by the general economic recovery, although contract margins remain tight.

Our focus for 2015

Looking forward into 2015, we are confident of delivering a number of commercial development schemes and selling through at least the same amount of strategic land as achieved in 2014. Therefore, we see another year of progress across each business segment. The UK election process may prove to slightly dampen that enthusiasm early in the year but by the second half, we expect our business to get back to what it does best – creating shareholder value.

THE GROUP STRUCTURE

Land Development
- Hallam Land Management Limited

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

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

In order to achieve our strategic objective of maximising long-term shareholder value, we have set the following initiatives:

BUSINESS INITIATIVE	HOW WE'LL MEASURE PROGRESS	SUPPORTED BY OUR RESOURCES
1. Provide growing long-term shareholder returns	• Shareholder value • Shareholders' funds	
2. Create regular revenue streams through retained property assets, rental income and construction activities	• Revenue • Return on capital employed • Investment property	
3. Achieve long-term funding relationships with financial partners and maintain prudent levels of gearing at less than 50% of net assets	• Gearing levels • Revenue • Net assets	
4. Create long-term cyclical revenue potential and realisation through land development and property development	• Long-term revenue • Asset value creation	
5. Provide a long-term commitment to high levels of dividend cover	• Earnings per share • Dividend cover	
6. Achieve a return on capital in excess of 10%	• Profit • Net assets • Return on capital employed	
7. Recruit and retain the highest calibre of people to meet our key objective	• Long-term success of business • Individual performance targets met	

More about our Key Performance Indicators
Read on pages 34-37

Hallam Land Management

CREATING VALUE...
THROUGH THE PROMOTION OF LAND

Our business strategy is to create new land development opportunities and to maximise the value of land.

CASE STUDY

Biddenham, Bedfordshire

A long standing jointly owned site of which Hallam Land Management Limited still control 180 acres. We have been involved with this land holding since the early 1990s.

A complete bypass for Bedford has been sought by Bedford Council for over 50 years, the anticipation being that once built the road will remove significant amounts of traffic from the town centre. In 1994 Hallam identified that the land required to deliver the

Key Highlights

- Profit before tax of £13.1m
- Planning permission secured on 15 sites
- 12 site sales achieved in 2014

final (A6-A428) element of the link was not controlled by developers, and accordingly we engaged with the private landowners concerned, as well as the Bedford charity, The Harpur Trust, who owned land used for private playing fields within the proposed scheme.

After many twists and turns, in March 2014 we secured outline planning consent for 1,300 dwellings (700 dwellings on land controlled by Hallam) and associated uses. Construction of the "missing link" of the A6/A428 bypass (including a road bridge over the London/Leicester main line railway) was commenced by the Borough Council in October 2014, and a re-location scheme for the private playing pitches was also granted planning consent.

The residential development site was put to the market in June 2014 and it is hoped that a conclusion to a sale to a national developer will take place in the Summer of 2015.

Strategic land portfolio under control of

9,985 acres

with 1,819 acres in direct ownership

25 sites being worked upon to add a further

12,000 plots

to the 'For Sale' portfolio of permissioned land

LAND DEVELOPMENT REVIEW

Keran Power Hallam Land Management Limited

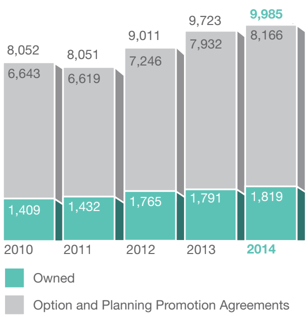
Key Highlights

- Disposals of 1,100 plots in 2014
- 11,500 units with planning permission
- 16 new sites added to the portfolio

LAND (ACRES)

↑9,985

2013: (9,723) +3%



During the course of 2014 Hallam Land, our strategic land business, was able to reap the rewards of the considerable investment made in the planning promotion of sites over the course of the previous three or four years. The increased number of land transactions/deals initially experienced in 2013 continued through 2014 resulting in a further increase in the profitability and number of site disposals in the year.

We experienced strong UK house builder land acquisition activity at the beginning of 2014 as our major customers sought to fully rebuild their land banks. However, as the year progressed, activity returned to a more steady level of transactions as they moved to replenish sales of sites from their holdings. We found that the land prices achieved on sale were healthy, realistic and sustainable. As always, negotiating land sale deals is never easy, the timing of completions within a specified financial period is uncertain but, in overall terms, the market performed solidly throughout the year.

During the year, we made site disposals at Peterborough, Torrance, East Leake, Abingdon, Cam, Marston Moretaine, Winsford, Oulton, Bridgwater, Hailsham and Repton. In total, over 1,100 plots (2013: 1,177 plots) were disposed of within the schemes sold, contributing to a segment profit before tax of £13.1m (2013: £11.1m), an increase of 18%.

The run of planning successes we saw over 2012/13 continued through 2014. During the course of the year, we achieved planning permissions on sites at Stone, Barnsley, Frome, Southbourne, Winsick, Worcester, Eckington, Cranbrook, Handcross, Longbar, Moodiesburn, Repton, Stafford, Worksop and Irthlingborough which, in total, added over 2,000 additional housing units to our “for sale” portfolio, which now stands at approximately 11,500 units. In addition, we have a further 25 sites which are working through the planning system, either prior to an officer determination or moving towards an appeal. These sites have the potential to add a further 12,000 units to our portfolio. While, at this stage, this represents an opportunity to add permissioned units, there is no certainty that we will be successful in all cases.

We continue to actively pursue and acquire new long-term strategic land and added 16 new sites into the portfolio in 2014. In total, at 31 December 2014, we held interests in 9,985 acres (2013: 9,723) with 1,819 acres owned (2013: 1,791), 2,800 acres held under option (2013: 3,184) and 5,366 acres held under planning promotion agreements (2013: 4,748). The year saw further financial investment in new sites and planning promotion costs which resulted in an inventory value of the assets of £99.6m (2013: £83.9m), across 140 sites.

We have continued to acquire both large and small strategic land schemes. Larger sites generally take longer to promote, obtain planning permission and bring to the market and consequently are more expensive to fund. On the other hand, these large sites deliver sales and profits over a much longer time frame, once planning permission has been obtained. This year we made a further small disposal from our large site at Bridgwater with the majority of sales coming from smaller sites. At this early stage in 2015 we are working on seven land scheme disposals, two of which have already completed and we currently believe that the remaining five should conclude in the year.

Land values, in certain parts of the country, have steadily recovered to where they were in 2007, however, elsewhere, particularly in the north, activity and pricing have remained benign. Consequently, we are focusing our site acquisition and investment efforts into the more dynamic parts of the country where planning success and sales are more rewarding.

Over the last three years, the Coalition Government’s planning system reforms have been beneficial to our business, house builders and home buyers by ensuring that more land is made available for new build residential development. The National

Planning Policy Framework, the precedence of a five year land supply and the "Help to Buy" mortgage scheme all assisted in stimulating the slowly recovering housing market. We still believe that the recovery is relatively fragile and have seen that the Government's more recent support of the Neighbourhood Plan process has had an adverse impact on planning decision-making as we approach the election. We firmly believe that Neighbourhood Plans, like Local Plans, should first and foremost seek to maintain a five year land supply as this also supports house builders' delivery processes. However, many communities are using Neighbourhood Plans to rein back new development and we are beginning to see planning decisions at appeal and in the High Court give greater weight to these emerging Neighbourhood Plans rather than to the five year land supply. We believe that this change in emphasis will reduce the amount of land available to supply housing to a chronically undersupplied population, thereby slowing the long-term recovery in housing provision.

However, the planning system is in more robust shape than it has been for several decades primarily due to the current Government tackling the five year land supply that had been previously largely ignored. The 2015 General Election brings uncertainty despite all parties stating that a more responsive planning system will be a priority. For any strategic land business, a key concern is the degree to which the Government extracts value from the grant of planning permission. Whilst we do not disagree with this in principle, the Government needs to ensure that they do not make schemes unviable through unrealistic financial demands. We saw clarity of purpose in the first few years of the Coalition Government; but, more recently, the planning gain contribution system has become even more complex with different Local Authorities applying different rates of Community Infrastructure Levies, Affordable Housing and Section106 requirements. In our view, these issues are not helpful and further serve to hold back the creation of the new homes all political parties aspire to.

An inventory value of

£99.6m

for strategic land assets

The number of sites

140 sites

in strategic land portfolio

View more content online at:
www.hallamland.co.uk

Hailsham

Location: East Sussex

Type: Land Promotion

Size: Planning for 240 new homes

A planning promotion agreement for 43 acres of land was signed up in 2007 and an outline planning application was submitted for 240 new homes, a network of green infrastructure and open space, in 2013. The planning permission was secured in late 2013 and the land was sold to a national developer in October 2014.

Repton

Location: Derbyshire

Type: Land Promotion

Size: Planning for 40 new homes

A site of 14 acres in total, where a planning application was submitted in 2013 for 40 new homes and permission for development was received in March 2014. This parcel of land was sold to a national developer in late 2014. A further application for 75 properties on the remaining land was submitted in December 2014, and gained planning approval in March 2015.

Henry Boot
DEVELOPMENTS

Stonebridge

CREATING VALUE...
THROUGH SPECIALIST PROPERTY DEVELOPMENT AND NEW HOMES

CASE STUDY

Markham Vale, Derbyshire

Henry Boot Developments Limited was appointed development partner to Derbyshire County Council in 2005 following a national development competition.

The objective of the development partnership between Henry Boot and Derbyshire County Council is to create a new sustainable strategic employment zone and to regenerate the former coal mining area which has

Key Highlights

- Profit before tax of £4.6m
- Two business park projects secured for over 90 acres of allocated land

suffered from high levels of unemployment and stagnant economic activity following the closure of the mining industry. Following the appointment of Henry Boot the Company worked closely with the County Council to complete the assembly of the site and secure planning permission for 200 acres of employment uses. Henry Boot commenced the first development of 50,000 sq ft of speculatively built industrial space in 2007 and this was completed to coincide with the opening of a new junction onto the M1 motorway to serve the business park in 2008. Since the opening of the new motorway junction the business park has seen continuous development activity on the site with Henry Boot developing a wide range of industrial and warehouse units for both local and national companies who were either expanding their existing operations in the region or newly investing in the area. To date over £50m of new investment has been secured with Markham Vale now sustaining 732 new jobs and attracting 33 new companies to the business park. Henry Boot has developed over 450,000 sq ft of industrial and warehouse accommodation so far with a further 520,000 sq ft of committed development due to commence on the site in 2015. The servicing of the second 100 acre phase of the business park is due to be completed in 2016 enabling a further one million sq ft of development to be undertaken.

Sale of investment property valued at

£14.5m

completed in the year

Acquisition of property by Stonebridge of

7,066 sq ft

for refurbishment to serviced office space

PROPERTY INVESTMENT AND DEVELOPMENT REVIEW

David Anderson Henry Boot Developments Limited
Darren Stubbs Stonebridge Projects Limited

Key Highlight

- 2015 Update - Aberdeen Project masterplan and business case approved by Aberdeen City Council

11 projects commenced representing

£44.0m

new investment and 460,000 sq ft of space

As the economy recovered through 2013/14, tenant demand, investor appetite and completed development yields improved, which allowed us to progress or commence 15 projects, spread throughout the country, comfortably exceeding pre-recession activity levels. Of these schemes, eight completed during the year. This significant increase in development activity also reflects the improvement in occupier confidence and their ability to progress initial interest through to fully financed contractual commitments, particularly in the industrial and leisure sectors.

At our 200 acre business park, Markham Vale in Derbyshire, we undertook or are in the construction phase of a number of industrial projects amounting to over 200,000 sq ft; much of this was contracted for and completed during 2014. In addition, new facilities including a petrol station, a Starbucks, a convenience store and a pub restaurant were completed in the year, servicing the expanding business park.

A second significant industrial development undertaken and completed during the year was the 69,000 sq ft extension of the existing 123,000 sq ft Recticel factory investment in Stoke which also allowed us to re-gear the existing lease arrangement on more favourable terms. Active management of the retained investment portfolio included the agreement for an extension to the highly successful lorry park at Stop 24, our motorway services investment in Kent.

We also began two budget hotel developments during the year, one in Malvern, pre-let to Premier Inn, and the other in Richmond upon Thames, pre-let to Travelodge. Contracts for the forward sale of the Travelodge were also exchanged with Aberdeen Asset Management shortly before the 2014 year end, and both of these projects will be completed in 2015. Our jointly held developments in Thorne, near Doncaster, and Chesterfield, in partnership with Royal Bank of Scotland and Lloyds Bank respectively, progressed well with the Thorne site sale to Tesco completing and contracts for the sale of the majority of the Chesterfield site to a Ford dealership exchanged for completion in 2015.

Selectively, as confidence within the sector returned, a number of retail developments also commenced. In Bodmin we exchanged pre-let agreements with Home Bargains to take the first retail unit of 18,000 sq ft, which represents about half the scheme and construction is now in progress. In Livingston, Scotland, terms have been agreed with a range of retailers and leisure operators to take almost the entire six acre scheme; we expect the construction phase to commence late in 2015.

Despite these successes we experienced delays in obtaining planning permission on a number of projects, in particular at the former Terry's Chocolate Factory in York, where heads of terms are agreed for the sale of one of the listed buildings to a care home operator and with a residential developer for the conversion of the main listed factory building into apartments. It is anticipated that the outstanding planning issues will be resolved in the first half of 2015. We also suffered a setback on our 56 acre mixed-use development in Skipton, North Yorkshire, with the refusal of planning permission for a foodstore and employment scheme. However, negotiations with planners are continuing to agree an acceptable development plan which we expect to be residential and employment based. Finally, in the light of the widely reported food retail sector difficulties, where applicable, we reassessed the values of our prospective foodstore related development sites with any valuation adjustments taken through the Comprehensive Income Statement in 2014.

As part of the continuing active management of the Company's retained property investment portfolio, three investment sales took place during the year, including our 50,000 sq ft B&Q unit in Rotherham which was sold to F&C Investment Management. These sales will make way for a number of new investments currently being developed, to be retained.

The introduction of new, future development opportunities is key to long-term value creation. During the year we were selected as preferred development partner on two business parks, one outside Luton and the second at Southend Airport. We also purchased a vacant 22,000 sq ft office building in Uxbridge which we intend to immediately extend by a further 10,000 sq ft and fully refit to meet the strong occupier demand in that quadrant of the M25.

Stonebridge, our jointly owned housebuilding business, increased its turnover to over £10m in the year and continues to grow its activity, completing 32 units in the year. We successfully acquired two 100+ unit opportunities during the year and have submitted planning applications for both schemes. These larger schemes will help underpin future growth, though we continue to actively acquire smaller sites for between 10 and 20 units where the house builder competition has difficulty obtaining site acquisition finance. Whilst the challenges with planning and mortgage administration remain, we are confident of achieving another year of growth in 2015.

The refurbishment of Park House, our serviced office in Leeds, is complete and the building continues to attract new tenants. We were delighted to be nominated as a finalist in the 2014 National Serviced Office Centre of the Year, just missing out on the top award. Building on our success in Leeds, we acquired a property in central Manchester which is currently being refurbished into our second serviced office outlet. This project will be completed in the first half of 2015 and we are encouraged by indicated tenant interest.

Average rent roll during 2014 of

£6.5m

for 15 investment properties

View more content online at:
www.henrybootdevelopments.co.uk
www.stonebridgehomes.co.uk
www.stonebridgeoffices.co.uk

Beeston

Location: Nottinghamshire

Type: Mixed-use development

Size: 90,000 sq ft

The Square Shopping Centre has been in ownership since 2003. In 2013 planning permission was received to re-model 25,000 sq ft of leisure and retail space. The works commenced in 2014 to coincide with development of the adjoining Nottingham tram stop. PureGym, Costa Coffee and Wilkinsons are amongst the new tenants.

Whitehaven

Location: Cumbria

Type: Bespoke offices

Size: 22,000 sq ft

A development for Atkins Ltd at the Westlakes Science Park, the centre of the UK nuclear industry. The £3.5m scheme began in September 2014 and will be completed by mid 2015. A Regional Growth Fund grant was secured to assist the commercial viability of the project.

Stonebridge Projects Limited - Guiseley

Location: West Yorkshire

Type: Residential development

Size: 14 new homes

'Meadow View' is a cul-de-sac development of 14 quality homes built to the north west of Leeds. The site consists of 4 and 5 bedroomed homes and building commenced in July 2014. By the end of 2014 five houses had been completed and occupied. The remaining plots are scheduled for completion in 2015.

CREATING VALUE...
THROUGH SUSTAINABLE OPERATIONS

Contracting, plant hire and road maintenance companies generate recurring revenue streams.

CASE STUDY

Stocksbridge, South Yorkshire

Fox Valley, Stocksbridge is the £42.0m redevelopment of a 28 acre former steelworks site delivered by Dransfield Properties Ltd, which will bring a new town centre to this community located to the north of Sheffield. The overall scheme will deliver much needed retail, leisure and office spaces to create a new commercial heart for the town, as well as new infrastructure works and a 7 acre residential housing development of 114 three

Key Highlights

- Profit before tax of £10.1m
- Large increase in private sector workloads
- 94% of waste diverted from landfill sites

and four bedroomed executive riverside homes. It is anticipated that when complete this redevelopment should create 900 new jobs for the community.

Henry Boot Construction Limited was appointed by Stocksbridge Regeneration Company Limited for the £30.0m construction works of the project which commenced in February 2014. The first phase of the development involved extensive reclamation and decontamination works of the former steelworks site, followed by the building of a new steel stock warehouse for Tata Speciality Steel which enables them to relocate their storage facilities away from the project land itself.

Dr Vince Cable MP, The Secretary of State for Business, Innovation and Skills performed the ‘topping out’ ceremony on the Tata warehouse in June of 2014. Dr Cable marked the milestone by dropping a 6m x 4m flag down the completed steelwork and then welcomed the investment in this part of South Yorkshire.

The next phase of the development commenced in February this year. This part of the project includes the main retail and leisure elements as the new heart of the community begins to take shape. The overall development is due to be completed in the early months of 2016.

Substantial forward order book of

£55.0m

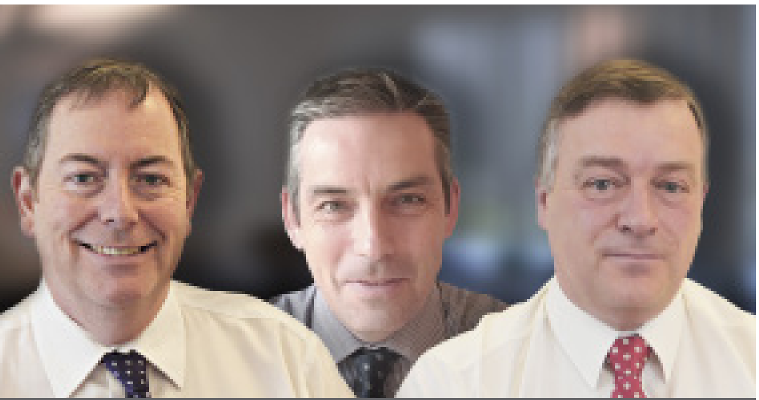
in construction business for 2015

Gross value of plant assets

£27.5m

available to rent at year end

CONSTRUCTION REVIEW



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

Key Highlights

- Launch of sustainability strategy
- Awarded Investors in Diversity Stage 2
- Nominated for 12 CIOB awards

Successful handover of

£8m

Screw Press House for Bifrangi UK Ltd

After carrying forward a healthy order book into 2014, Henry Boot Construction exceeded both budgeted turnover and profit for the year. With the growing confidence in the general economy we began to see sustained growth in activity and some positive trends in tender prices; although we remain vigilant regarding material and labour price increases. Our wide-ranging capabilities, depth of experience and understanding of clients' requirements has helped produce these excellent results.

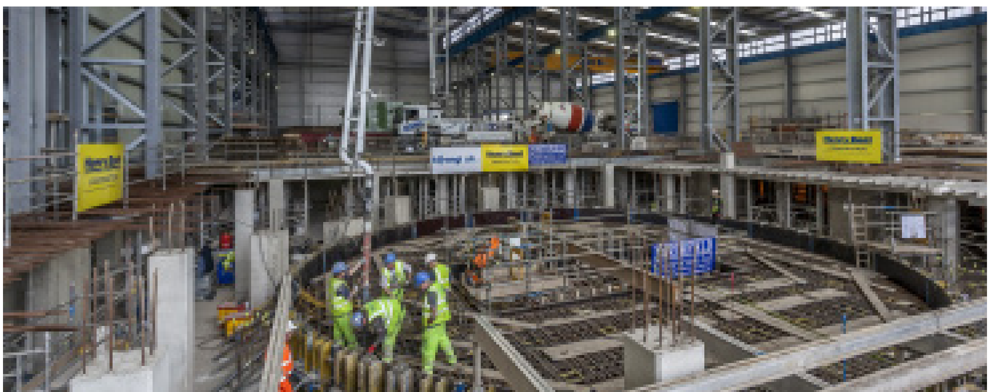
We are carrying a strong order book into 2015 and expect that this solid trading performance will continue.

Our reputation for delivering high quality projects, safely, on time and within budget, has enabled us to maintain workloads in the social housing, health, education and custodial sectors. Long-term framework and partnership arrangements with St Leger Homes (which ends in 2015), North Lincolnshire Homes, Eastland Homes, and ASRA Housing together with individual schemes through EN Procure and YORbuild, give us a strong presence in the social housing sector. Within the education sector we completed the refurbishment and fit-out of the Joseph Banks laboratory for the University of Lincoln and were awarded: the MERI Building Phases 2 & 3 for Sheffield Hallam University, Chesterfield College East Block Construction Centre, and contracts at Blue Coats School, Oldham and Ampleforth College in North Yorkshire. We are also delivering a number of court and prison refurbishment schemes through the Ministry of Justice framework and expect similar opportunities to these to continue into the future. We have continued to develop our Building Information Modelling strategy, including engagement with our supply chain, and will be level 2 compliant ahead of the Government target of 2016.

We have also seen a large increase in private sector workloads with a number of opportunities arising in the industrial, commercial and retail sectors. 2014 saw us commence a major contract for Stocksbridge Regeneration Company to redevelop the town centre, for completion in 2016.

We also successfully completed a large office refurbishment for Sheffield City Council, a laboratory refurbishment scheme in Harrogate for Smithers Viscient and the RIBA Award winning Manor Works for the Manor Development Company in Sheffield. We constructed production facilities for Ready Egg and Holdsworth Food at Markham Vale where we were recently awarded further contracts for industrial facilities and new and refurbished industrial units at Thorne. Work is also progressing on an eco-office scheme at Doncaster International Business Park and a visitor centre for Games Workshop in Nottingham. Our major 2013/14 project for a Screw Press House for Bifrangi completed earlier this year and led to the successful negotiation of a new Research and Development facility at their Lincoln site.

We have seen a growth in civil engineering work



Preparing for concrete pour at Bifrangi UK Ltd Lincoln in February 2014.

through involvement as a major supply chain partner on the 25 year Amey PFI Sheffield Highways scheme where we have continued to deliver a significant number of projects. We have also just been awarded the YORcivils Don Valley Remediation Scheme for Sheffield City Council.

Plant Hire

The optimism we felt moving into 2014 was well founded. Turnover for the year increased by over 9% to £12.1m; an average weekly turnover of over £233k and a hire contract count that averaged around 3,200, both levels not seen since early 2008. Year end profit before tax was £1.3m, with the net margin up 1.9% to 10.8%, the Company's best result since the top of the last cycle. Capital expenditure during the year totalled £4.1m and focused on access equipment and general plant. With the introduction of clean air technology engines in larger, new pieces of equipment, their capital cost pushes ever higher. The recovery of the higher capital costs is a major challenge, therefore, the aim for 2015 is to ensure that the ratio of hire rate to cost is increased successfully.

Road Link A69

Our PFI contract to maintain the A69 between Newcastle and Carlisle has 11 years left to run and continues to perform very well and in line with expectations. Traffic volumes were broadly in line with previous years as were the price adjustment indices. We continue to adopt innovative maintenance techniques which helped us achieve savings against the budget costs of the maintenance programme undertaken in the year.

Live plant contracts per week

c.3,200

average weekly during 2014

View more content online at:

www.henrybootconstruction.co.uk
www.bannerplant.co.uk

Henry Boot Construction Limited - Smithers Viscient

Location: Harrogate, North Yorkshire

Type: New laboratory and office facilities

Size: 15,715 sq ft

A full refurbishment and fit-out was undertaken to create a state of the art facility for Smithers Viscient, a specialist environmental testing company. The project value was £4.3m and works commenced in December 2013 with full occupation completed by June 2014.

Banner Plant Limited - Plant Hire

Location: Chesterfield, Dronfield, Derby, Leeds, Rotherham and Wakefield

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

Size: Over 2,800 products

The range of products has constantly evolved to meet customer needs and to fulfil the requirements of modern health and safety legislation. The primary supply area stretches from Yorkshire in the north to the East Midlands and Birmingham in the south whilst more specialist divisions have national coverage.

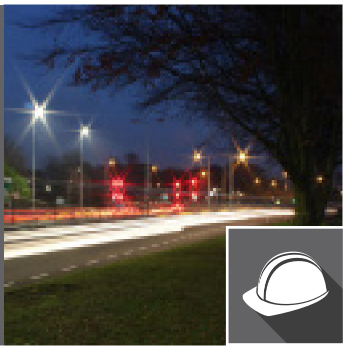
Road Link (A69) Limited - Road Maintenance

Location: Cumbria and Northumberland

Type: Road operation and maintenance

Size: 52 miles of trunk road from Carlisle to Newcastle

A 30 year contract with the Highways Agency to operate and maintain the A69, which is the major east-west all-weather route in the north of England. Works include road resurfacing, bridge repairs, winter preparation and routine maintenance.



CREATING VALUE...
BY BEING RESPONSIBLE AND REDUCING OUR IMPACTS ON THE ENVIRONMENT

Rachel White Group HR Manager

The percentage of employees

95%

engaged in a Company pension arrangement

Q

WHY IS BEING RESPONSIBLE ONE OF YOUR KEY PRIORITIES?

A

Corporate responsibility means addressing our key business related social, ethical and environmental impacts in such a way that it brings value to all our stakeholders.

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

OUR AIMS

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

OUR VALUES

Our reputation is a key asset which is fundamental to the success of Henry Boot PLC; our values are what ensures that our employees, suppliers, investors and other stakeholders have the confidence in us to trust that we will carry out our business ethically. By embedding our values in our actions we strengthen our ability to deliver long-term shareholder value and competitive advantage.

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

Respect for the individual

It is critical that we show respect for the individual, their differences and the diversity this brings, and treat others as we would like to be treated. Henry Boot PLC encourages a culture in which communication is two-way, open, clear and constructive, we actively support continuous learning and improvement.

Integrity

Our integrity is crucial to maintain and protect our long-standing reputation. We have ethical business practices in place as a framework for our employees to follow; we demonstrate ourselves to be reliable, trustworthy and honest.

Excellence

We deliver what we promise and add value that goes beyond what is expected. Through continuous improvement we aim to exceed our stakeholder expectations by encouraging teamwork and delivery to the best of our abilities.

Innovation

We continually improve, embrace change and provide our employees with the opportunity to learn and develop. We create an environment where people are encouraged to demonstrate innovation by successfully implementing new ideas.

Commitment to personal development

1,164 days

of training delivered to employees during 2014

The equivalent days of training

2.55 days

per Company employee per year

CORPORATE RESPONSIBILITY — HEALTH AND SAFETY

Meg Munn MP visiting the Fox Valley development in Stocksbridge

Key Awards

- RoSPA Gold Medal award
- Commitment to Health, Safety and Welfare Award for third year in succession

Gender Diversity at the Henry Boot Group

348 111

average employed during 2014

View more content online at:
www.henryboot.co.uk

Find out more about our Key Performance Indicators on pages 36 and 37

Our health and safety

Health and safety continues to be given the highest priority within Henry Boot from Executive Board level down; we have developed practical and safe systems of work which are borne out by the Company's exemplary safety statistics.

Health and safety is extremely important to us, and everything we do is to ensure best practice and to provide a healthy, safe working environment for everyone involved with our businesses; we are fully committed to ensuring health and safety is the number one priority.

Our performance

Health and safety remains our organisational priority; during 2014 we have continued to focus on making health and safety the top of the agenda within all our subsidiary businesses; our continued growth saw an increase in internal audits to 264 during 2014 (2013: 238). Conducted by our Group Safety, Health and Environmental Manager our system of audits ensures compliance of our internal management systems and external benchmarks. The Board remains fully committed to health and safety and conduct regular Director Safety Visits across all subsidiaries.

We continued to benchmark our health and safety performance against Constructing Excellence Health and Safety Key Performance Indicators (KPIs). Our 2014 accident incidence rate (AIR) performance equated to a score of 91%. We have seen a slight increase in our accident frequency rate (AFR) to 0.12 per 100,000 hours worked including our subcontractors (2013: 0.06); however we are delighted that for the fourth consecutive year our construction related AFR for our directly employed staff is zero.

We have continued to ensure that all employees take part in regular, comprehensive training, tailored to their specific job and meeting all industry requirements.

We again undertook a mock incident on one of our construction sites to test our internal systems, our focus in 2014 was on scaffold risk. This was once again facilitated and presented by a partner of Nabarro LLP's Health, Safety and Environment team.

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

Our commitment to the education of our own employees through direct training and safety briefings and to the communities in which we work have continued throughout 2014; we have again spent time within the communities spreading the message of safety within our businesses.

Our achievements

For the fifth consecutive year we have celebrated the achievement of a RoSPA award for Health and Safety; due to our continued success with RoSPA this is now a Gold Medal award. Our continued achievement celebrates our commitment to achieving the highest standards of health and safety within our business operations.

We also celebrated the Commitment to Health, Safety and Welfare Award at the National Federation of Builders (NFB) Annual Awards for the third consecutive year, this award recognises best practice in the industry and a commitment to achieving the highest possible standards of health and safety.

We came out on top in the Health & Safety category at the CIOB (East Midlands) Awards, underlining the Company's commitment and focus to delivering the very highest levels of health and safety in every project they undertake.

CORPORATE RESPONSIBILITY — PEOPLE

Our people

To encourage success across all of our core businesses, it is important that we are able to create a working environment that enables us to attract, inspire and retain the right people to work at every level, who are committed to working together and who will support our key corporate values of respecting individuality, innovation, excellence and integrity. We are committed to providing a working environment in which our employees can develop to achieve their full potential and enjoy opportunities for both professional and personal development.

Henry Boot PLC has established policies for recruitment, training and development of our employees. We remain fully committed to investing both the time and resources to motivate our employees to develop rewarding careers and to encourage them to remain working for the business; where possible we recruit and promote from within.

As our businesses continue to grow and evolve, a key driver for ongoing success will be our ability to retain and continually motivate our employees to deliver the excellence on which our businesses have been developed and which our customers have come to expect.

During 2014 we directly employed an average of 459 people (2013: 450); we value the experiences our employees bring and over 18% of our workforce have over 20 years' service.

Equal opportunities and diversity

Henry Boot PLC is an equal opportunities employer and will continue to ensure that we offer career and development opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having due regard for their individual abilities. Where possible Henry Boot PLC has continued the employment of individuals who have become disabled during their employment with us.

At 31 December 2014, we employed 434 people (2013: 448) comprising 325 males and 109 females (2013: 345 males and 103 females); we have 20 Directors (18 male and 2 female) and 33 Senior Managers (26 male and 7 female) (2013: 22 Directors (20 male and 2 female) and 28 Senior Managers (23 male and 5 female)).

Human rights

We apply human rights considerations to all our business practices, including (but not limited to) business ethics, equal pay, health and safety, suppliers and anti-bribery and corruption policies.

We do not have a specific human rights policy, however this will remain under review as to whether a policy document is required in the future over and above our existing policies. We have a Whistleblowing policy in place and also a confidential externally managed telephone line.

Pension arrangements

In 2014 Henry Boot PLC implemented the UK's auto-enrolment pension requirements; we utilised our current pension providers, AVIVA and The Peoples' Pension/B&CE, to deliver this. As at 31 December 2014 we had over 95% of our employees engaged in a pension arrangement to which both the employee and the Company makes a contribution.

Our performance

We remain committed to personal and professional development in order to support the growth of our people and their ability to make a contribution to our businesses; we delivered a total of 1,164 days of training in 2014 (2013: 1,306 days) the equivalent of 2.55 days per employee (2013: 2.92 days). We provide training in leadership, people management, health and safety and a wide variety of subsidiary specific training. We have seen an increase in the cost per capita spent to £117 (2013: £102).

During 2014 we continued with our programme of supporting internships and year out placement students within all of our businesses and have seen great success in utilising these programmes to identify both potential employees and future leaders.

We continued through our network of CITB Construction Ambassadors to share our experiences of working within the built environment, through school visits, roadshows and work shadowing.

Our achievements

In 2014, two of our Senior Managers in Henry Boot Construction Limited were nominated for the CIOB's Construction Manager of the Year Awards; both were subjected to a rigorous and intensive interview process to progress to the final Awards. Steve Green was responsible for our site for Bifrangi UK Ltd in Lincoln which involved the construction of a press house for hot steel forging, and Mathew Clarke managed our site for Sheffield Hallam University which involved the development of the Graham Solley Sports Pavilion and associated sports facilities. Mathew was fortunate to make the top 5 shortlist for his £2m to £7m category; although others were successful in achieving the final Awards at the presentation in London in October, we are incredibly proud of the success of our employees.

During 2014, Henry Boot Construction Limited successfully achieved Investors in People status; over 50% of our employees are employed by businesses who have been assessed and are recognised by this national accreditation. We continue to work with our remaining core businesses to achieve this accolade which recognises that high performance is achieved through our people, and that by championing best practice in people management our businesses will achieve continued success.

CORPORATE RESPONSIBILITY — COMMUNITY

Our community

Our community involvement continues to ensure that our activities bring benefits to the local communities and the people within them, supporting employment and regenerating local areas. We have also continued to support charities and local groups through company donations of time, expertise and financial donations.

Our performance

We continued to be active in the communities in which we operate; we supported projects through the Henry Boot Endowment Funds managed on our behalf by South Yorkshire Community Foundation (SYCF) and through direct donations.

Some of the projects and fundraising we have been involved in over the last 12 months are:

- Oughtibridge Brass Band – through SYCF we supported the upgrading of the band room to include disabled access and kitchen facilities;
- Old School Charity, Grenoside – through SYCF we supported a grant to support the purchase of equipment in order for the project to continue as a wider community facility;
- Barnsley Samaritans – supported with a grant to contribute towards the refurbishment of toilet facilities.

We have donated £18,072 to charities nominated by our employees through our Give As You Earn Scheme (2013: £13,581), and in 2014 we donated in excess of £38,540 to a varied range of causes, both locally and nationally (2013: £30,902).

During 2014 we introduced Dress Down Fridays at our Sheffield headquarters. This has resulted in £3,000 being raised by colleagues for a variety of local employee nominated charities; through this we have also supported national charity days for Sport Relief and Children In Need.

We have continued to work alongside local colleges and universities and have hosted year out placement students in our Finance and IT Departments. This is an ongoing partnership which will continue year on year.

In 2014 we supported the BiG Challenge in Sheffield, this scheme has been developed to teach children the importance of entrepreneurial skills. Teams were awarded £25.00 from which to start and grow a business of their choice.

For the seventh successive year, we attended and supported Tech Tech; held in Doncaster and hosted by BBC presenter Maggie Philbin, this event helps to promote science, technology, engineering and maths (STEM) to Year 9 students.

Our achievements

Our people take great pride in the work they do in our communities; they are all advocates for Henry Boot and are a credit to our businesses. We make a significant investment in our community programmes and support colleagues' fundraising and volunteering for all charities and registered good causes.

In 2014, several of our employees undertook personal challenges for charity; we would like to recognise the efforts of Mick Wake who ran his first marathon at Loch Ness in September, raising £1,000 for The Willow Foundation; Ryan Spencer and Tom Gibbons who completed The Cumbrian Cross Lake Challenge raising £1,250 for St Luke's Hospice and Paul Muncey who completed a sponsored walk around Derwent Dam raising over £1,000 for MND (Motor Neurone Disease).

We continued our Associate membership of Considerate Constructors and saw a continued upward trend in our scoring. Our highest score in 2014, 43 out of a possible 50, was achieved at ASRA Bilsthorpe, a social housing project in Leicester and Nottinghamshire where the improvements included installation of new windows, doors and rainwater goods, roofing repairs/replacement, replacement of soffits and fascias and other repair works as required.

Sport Relief in March 2014

Children in Need in November 2014

Mick Wake completing the Loch Ness marathon for The Willow Foundation

Tom Gibbons and Ryan Spencer taking part in The Cumbrian Cross Lake Challenge

Case Study
Cathedral Archer Project, Sheffield

Cathedral Archer Project

During 2014, our employees supported the Cathedral Archer Project (CAP) based at Sheffield Cathedral. Established 25 years ago to support the homeless and vulnerable, CAP believes life should be fulfilling and enjoyable and homelessness isn't. CAP supports people to achieve through helping them to develop their independence, improve their ability to tackle setbacks, improve their ability to identify and change negative behaviour and improve their wellbeing. On a practical level this includes offering cooked breakfasts, lunches, food parcels, showers and medical support as well as access to a variety of activities and learning. CAP has a team of dedicated support workers to help people make their individual journeys away from homelessness.

In the summer of 2014, Henry Boot PLC encouraged employees to donate to a harvest event in which employees donated food stuffs and toiletries which would be used to make up food parcels for the clients; we were delighted that our employees donated in substantial amounts which resulted in our representatives making several visits to the project to deliver the donations; in addition to this several of our employees also donated warm clothing and bedding to the project.

A number of our employees volunteered during this period to assist in organising the goods received into the stores of the charity from other donation points; a worthwhile and enjoyable day was spent by our employees in the cellars near Sheffield Cathedral where the popularity of the project was realised by the continued stream of deliveries being made by other volunteers who were travelling around Sheffield collecting donations.

Our final involvement with CAP in 2014 was at Christmas when employees of Henry Boot Construction Limited held a bake sale which raised over £90.00; following which a number of employees volunteered to help out with the serving of Christmas dinner to the clients at CAP and which allowed our employees to spend time with some of the people the charity helps. Together with sub-contractors, Henry Boot Construction Limited donated over £1,000 to purchase food and other items to support those visiting CAP over the festive period.

Henry Boot Construction Limited donated £1,000 for the Christmas Lunch


Henry Boot PLC volunteers helping out in the food bank stores


Henry Boot Construction Limited festive volunteers preparing for the Christmas Lunch

Find out more about **the Cathedral Archer Project** online at:
www.archerproject.org.uk

CORPORATE RESPONSIBILITY — ENVIRONMENT

Our environment

We continue to be committed to the highest levels of sustainability and we are committed to reducing our environmental impact by a variety of measures.

Our performance

We have again been recognised by Business in the Community (BITC) Yorkshire and the Humber and have achieved Gold status, attaining a rating of 94% when measured against its Environmental Index, a slight decrease on last year's assessment (2013: 97%); we continue to be listed as one of the top companies in the region on the Business in the Community Environmental Index.

While waste cannot be eliminated, its environmental impacts can be reduced by preventing waste wherever possible. 2014 saw a static result in reducing waste with our recycling rate remaining at 94% (2013: 94%).

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

Greenhouse gas reporting

Our carbon footprint

Our greenhouse gas emissions for the year ended 31 December 2014 were calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from UK Government GHG Conversion Factors for Company Reporting 2014. The calculation incorporates the six Kyoto gases including carbon dioxide, methane, nitrous oxide and hydrofluorocarbons (HFCs), and reports them in tonnes of carbon dioxide equivalents (CO_2e).

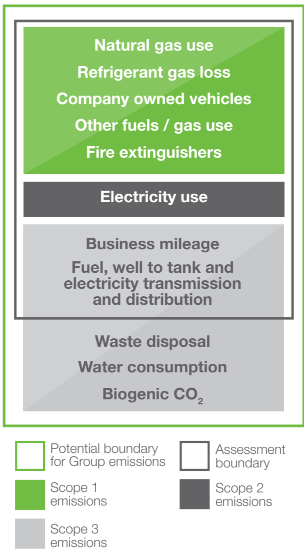
Methodology

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

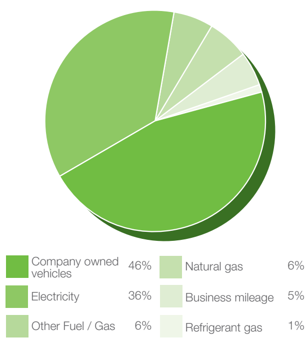
Emissions relating to subsidiaries for which we have operational control have been included at 100% and emissions relating to joint ventures for which we have 50% operational control have been included at 50%. This is consistent with the treatment of subsidiaries and joint ventures within our financial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

Overall, the Group's greenhouse gas emissions have risen by 3% when compared with those of the previous year; this equates to an increase of 0.11 tonnes per employee. The increase predominantly relates to scope 2 emissions, which have risen as a result of the increase in the emission factors (UK Government GHG Conversion Factors for Company Reporting 2014) used in calculating the tonnes of CO_2.

Assessment boundary



Our carbon footprint



Carbon emissions by source

Henry Boot Group CO_2e emissions	2014 Tonnes	2013[2] Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities	**2,288**	2,286	↑
Scope 2: Electricity, heat, steam and cooling purchased for own use	**1,337**	1,216	↑
Total direct emissions	**3,625**	3,502	↑
Total direct emissions per employee[1]	**7.90 tonnes CO_2e**	7.78 tonnes CO_2e	↑
Scope 3: Upstream and downstream indirect emissions	**1,017**	1,000	↑
Total emissions	**4,642**	4,502	↑
Total emissions per employee[1]	**10.11 tonnes CO_2e**	10.00 tonnes CO_2e	↑

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

[2] 2013 emission figures have been restated due to omitted electricity data and an amended unit conversion for gas

Carbon emissions by segment

Henry Boot Group CO_2e emissions	**2014 Tonnes of CO_2e**	**2014 Intensity Ratio Tonnes of CO_2e**	2013[2] Tonnes of CO_2e	2013[2] Intensity Ratio Tonnes of CO_2e	Intensity Basis	Trend
Property investment and development	**1,234**	**2.58**	1,023	2.04	per 1,000 sq ft of investment property with communal areas	↑
Land development	**123**	**3.96**	122	4.21	per employee	↓
Construction	**3,108**	**37.73**	3,154	40.16	per £1m of turnover	↓
Group overheads	**177**	**3.41**	203	3.98	per employee	↓
Total gross controlled emissions	**4,642**		4,502			

Property investment and development

Expansion of our housebuilding arm has resulted in an increase in the number of staff, the level of emissions relating to our offices, and onsite fuel and gas use during the year. As a result we have seen an increase of 0.54 tonnes of CO_2 per 1,000 sq ft of investment property (with communal areas).

Land development

There has been minimal movement in the level of emissions relating to our land development segment. However, the emission tonnes of CO_2 per employee have fallen by 0.25 due to an increase in the number of staff during the year.

Construction

The level of fuel and gas used on construction sites has fallen during the year, despite an increase in the level of turnover, which has resulted in a reduction in carbon emissions of 2.43 tonnes per £1m of turnover.

Group overheads

Emissions in relation to Group overheads have fallen by 13%, irrespective of a slight increase in the number of staff. The reduction predominantly relates to a lower usage of electricity and natural gas.

Our achievements

We were successful again in winning two CIOB Environment Awards for South Yorkshire and the East Midlands.

Henry Boot Construction Limited has signed up to participate in WRAP Built Environment Commitment which provides a framework in which the Company can continue to lower carbon and improve resource efficiency in their everyday work activities.

In order to ensure we are effective in achieving reductions in our environmental impact and carbon footprint, we have formed a Carbon Reduction Committee consisting of several individuals from within the business who are responsible for identifying and implementing improvements that will inevitably reduce our carbon emissions.

During the year several measures were trialled and implemented, including:

- A Safe and Fuel Efficient Driving course was trialled on 36 members of staff and will be rolled out to the rest of the Group;
- HGVs fitted with data recorders monitoring driving styles, efficiency and fuel economy;
- Replacement vans fitted with speed limiters;
- More efficient replacement vehicles;
- Appointment of energy consultant to carry out assessments of two office buildings.

The Committee will continue to pursue improvement measures and continuous reduction in the level of our carbon emissions.

Henry Boot

CREATING VALUE...
THROUGH STRONG PERFORMANCE AND RISK MANAGEMENT

John Sutcliffe
Group Finance Director

Jamie Boot
Group Managing Director

Key Highlights

- Best financial result since 2007
- Profit before tax of £28.3m
- Record dividend recommended

Q

HOW IS THE GROUP BENEFITTING FROM ITS LONG-TERM STRATEGY?

A

The Henry Boot Group of Companies has long benefitted from a consideration that goes to the heart of our strategic decision making; the under-utilised concept of prudently investing for the long-term. We have seen many economic cycles since our formation in 1886 but we have always demonstrated our commitment to our shareholders with growing income returns and long-term stability. The cyclical nature of what we do has seen our share price vary significantly over the years but we have continued to make trading profits and continued to pay dividends. Our long-term strategy has to be flexible enough to deal with the vagaries of the economic cycle, maximising opportunities arising throughout the cycle and successfully achieving our main business aims, whilst maintaining prudent borrowing levels and ensuring the security of our asset base.

Gross profit rose by £5.9m to

£43.7m

an increase of 16% over our 2013 result

Operating profits rose by £9m to

£28.0m

an increase of 47% over our 2013 result

FINANCIAL REVIEW

John Sutcliffe
Group Finance Director

Jamie Boot
Group Managing Director

Key highlights of our financial performance in 2014

- Profit before tax increased by 54% to £28.3m
- Basic earnings per share increased by 88% to 16.2p
- NAV per share increased by 3% to 152p per share
- ROCE increased 310bps to 11.4%
- Total dividends for the year increased 9.8% to a record 5.6p, covered 2.9 times
- Net assets now exceed £200m

Our clear and consistent long-term strategy helped produce our best result since 2007. The house building sector recovery is now well-established with the major UK house builders currently reporting significantly improved financial performance. Real estate debt markets are performing well and increasing confidence across all sectors is supporting property development activity which has a positive knock-on effect in the construction and plant hire businesses.

Consolidated statement of comprehensive income

Revenue reduced slightly to £147.2m (2013: £153.8m) although, 2013 included some £20m of one-off revenue transactions at York and Bromley which were matched by cost of sales. Gross profit increased 16% to £43.7m (2013: £37.8m) helped by higher land sale profits. Selective reinvestment in staffing and into the business infrastructure at Stonebridge saw overheads rise £1.2m, offset by lower pension related costs of £0.4m. Property revaluation gains were £1.9m (2013: loss £1.6m) and asset disposal profits were £0.4m (2013: £0.3m) as the improving property market allowed us to generate higher returns. The revaluation gains arose primarily from the development activity completed in the year, offset by a write down, where proposed foodstore-led developments are unlikely to proceed as previously envisaged. Resulting operating profits increased 47% to £28.0m (2013: £19.0m).

The segmental result analysis shows that land development produced a significantly improved operating profit of £14.1m (2013: £11.9m). Property investment and development activities operating profit increased to £8.7m (2013: £3.1m), arising from the revaluation surplus and higher trading profits. In addition, the share of profit of joint ventures is a revaluation gain within Pennine Property Partnership. Construction division operating profits improved to £9.2m (2013: £8.2m) helped by better results in both construction and plant hire. These results continue to show the benefits of a broad-based operating model in which all our business segments faced improving markets during the year. We recognise that the deal-driven results within the strategic land and commercial development segments can vary from year to year but these fluctuations are mitigated by the relatively stable returns from the construction segment.

Tax

The tax charge for the year was £4.8m (effective rate of tax: 17.0%) (2013: £5.1m and effective rate: 28.0%). Current taxation on profit for the year was £4.4m (2013: £4.1m); with the charge for the year benefitting from higher joint venture profits which are included net of tax and changes in the carrying value of investment property not fully reflected in the tax charge. In 2014 we saw net revaluation gains which are not taxable until capital losses giving rise to an unrecognised deferred tax asset have been utilised. The unrecognised deferred tax asset has therefore fallen to approximately £0.8m (2013: £1.4m). The deferred tax charge fell to £0.4m (2013: £1.1m) resulting from the tax charge in 2013 including the reduction in the future reversal rate applied to the deferred tax asset brought forward to 20% from 23% in 2012, no further change in this measure was required in 2014. The deferred tax charge largely represents pension contributions being higher than the IAS 19 defined benefit charge.

Earnings per share and dividends

Basic earnings per share were 88% higher at 16.2p (2013: 8.6p). The total dividend payable for the year has been increased by 9.8% to a record 5.60p (2013: 5.10p), with the proposed final dividend also increasing by 11.1% to 3.50p (2013: 3.15p) payable on 29 May 2015 to shareholders on the register as at 1 May 2015. The ex-dividend date is 30 April 2015.

Before and after refurbishment at the former Courthouse, Deansgate, Manchester

Return on capital employed (ROCE)

Higher pre-tax profitability in the year resulted in improved return on capital employed from 8.3% in 2013 to 11.4% in 2014. Our aim is to achieve and maintain a rate of return of between 10% and 13% as we believe, in the longer term, this is the level of return achievable by a successful business in the property sector.

Finance and gearing

Although debt has increased marginally after further investment in our strategic land portfolio, net finance costs remained stable at £0.8m (2013: £0.8m). Average borrowing rate costs were slightly lower than the previous year and any increase in volume borrowing cost is offset by a corresponding reduction in the non-utilisation fee. It is anticipated that interest costs will remain similar in 2015 as the first upward change in interest rates seems more likely to occur in 2016. We expect to see further investment in both our land and development assets, partly offset by investment sales as we recycle capital into the next phase of anticipated development activity. Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties and disposal profits) to net interest, was 31 times (2013: 24 times). No interest incurred in either year has been capitalised into the cost of assets.

Our continued extensive interaction with the planning system saw further investment in our strategic land holdings and to a lesser extent in the property development portfolio. This was achieved by using internally generated cash flows so that total year end net debt only rose marginally to £36.4m (2013: £36.1m). Gearing on net assets of £200.5m was 18% (2013: net assets £193.5m; gearing 19%). Total year end net debt includes £7.7m (2013: £3.0m) of funding which is repayable from the future sale of residential units on certain sites. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. During the year, we maintained three year committed bank facilities totalling £50m renewable in May 2015. In February 2015 we agreed a new three year £60m facility with covenants on a similar basis but on more competitive margin terms. The agreed terms also allow for the possible extension of the facilities for a further two more years on the same terms, subject to agreement between the banks and the Company. Throughout the year we operated comfortably within the facility covenants and continue to do so.

Proposed final dividend of
3.50p
an increase of 11.1% over 2013 payment

Our gearing level has reduced to
18%
a reduction of 5% over the year of 2014

Read our financial statements in detail on pages 82 to 137

View more content online at: www.henryboot.co.uk

FINANCIAL REVIEW continued

Revenue slightly reduced to
£147.2m
during the year of 2014

Current assets inventory of
£117.5m
including £99.6m of strategic land assets

Statement of cash flows

We continue to believe it is vital that we retain the flexibility to undertake developments and land deals without reference to specific funding from banks. Therefore, we retain the ability to fund such transactions from our own resources, reserving the property investment assets as the covenant support for the new £60m banking facilities. Forecast bank debt levels at the end of 2015 are anticipated to be slightly lower than 2014 as we continue to realise land investment through sales. During 2014, we further increased operating cash flows before movements in working capital by £4.8m to £24.9m (2013: £20.1m) and, despite further investments in working capital of £10.0m (2013: £18.5m) we still achieved a positive change in cash generated from operations of £13.3m. Cash outflows from investing activities reduced to £0.3m (2013: £4.3m) as we recycled £16.8m of investment property and plant and equipment sales into £17.4m of new property development and plant purchases. Dividends paid, including those to non-controlling interests, totalled £8.6m (2013: £8.4m), with dividends paid to equity shareholders now exceeding the pre-recession level.

Statement of financial position

Investment property and assets classified as held for sale were valued at £141.8m (2013: £142.9m). The fair value of completed investment property including assets held for sale was £99.4m (2013: £101.0m) and the value of investment property under construction within investment property is £42.4m (2013: £41.9m) as we develop these assets into investment properties.

Intangible assets reflect the Group's investment in Road Link (A69) of £6.7m (2013: £8.0m). The treatment of this asset as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to the Highways Agency at the end of the concession period. Property, plant and equipment comprises Group occupied buildings valued at £7.0m (2013: £6.8m) and plant, equipment and vehicles with a net book value of £12.1m (2013: £10.6m); this increase arose from further investment in new plant and plant delivery vehicles. Non-current trade and other receivables have reduced to £4.8m (2013: £12.7m) due to net collections on long-term payment plans associated with completed land sales. Given the potential land sales predicted for 2015 we anticipate that this debtor caption will increase once again in 2015. The non-current deferred tax asset increased in response to the higher IAS 19 pension deficit. In total, non-current assets increased slightly to £180.7m (2013: £176.0m).

A mixed-use development at Halfway, Sheffield. A further planning application has been registered for 200 new homes.

Within current assets, inventories of £117.5m (2013: £91.0m) increased due to further investment in the land portfolio to £99.6m (2013: £83.9m) and assets in the course of construction to £17.8m (2013: £7.1m). Trade and other receivables also increased to £50.1m (2013: £43.1m) from higher construction and land sales. The decrease in cash and cash equivalents arose because several transactions were concluded very close to the 2013 year end and cash could not be offset against loan drawdowns at that time; no such issue arose at the end of 2014. In total, current assets increased to £172.1m (2013: £160.2m).

Current liabilities remained very similar to the previous year at £107.1m (2013: £106.3m) as the current portion of debt reduced to £32.0m (2013: £46.5m). However, if we were to offset the cash current asset last year, debt would be broadly in line. Trade payables increased to £68.8m (2013: £50.2m) as a result of various amounts related to higher levels of activity across all segments of the business. Provisions reduced to £4.3m (2013: £7.1m) as amounts provided for the infrastructure obligations at Bridgwater and Cranbrook, Exeter, were utilised, satisfying planning obligations. Net current assets increased to £65.0m (2013: £53.9m). This increase is due to further investment in land inventories, development contracts in progress and debtors, offset by increased trade creditors as we operate at a higher general level of activity throughout the Group. Non-current liabilities increased to £45.3m (2013: £36.4m) after IAS 19 pension liabilities increased once again to £28.2m (2013: £20.1m) with yet another strong performance from the Scheme's assets and the introduction of RPIJ as the inflation measure which was more than offset by the ongoing reductions in gilt and bond yields applicable to the present value of liabilities, as real interest rates turn negative in many economies.

Net assets increased by 3.6% to £200.5m (2013: £193.5m) as retained profits were offset by the increase in the pension deficit, dividends paid and treasury share purchases. Net asset value per share increased 3% to 152p (2013: 148p).

Pension scheme

The fluctuating profile of the IAS 19 deficit continued in 2014. At 31 December 2014 the deficit was £28.2m, in 2013 it was £20.1m and in 2012 it was £30.5m. Once again, the Scheme assets performed well, achieving an overall return in excess of 10% (2013: 9% and 2012: 8%). This is expected as the Scheme's assets are invested with high quality asset managers on a global basis, utilising a broad range of assets and diversification, and since the second quarter of 2010, these assets have achieved an annualised return of 8.7% against a benchmark return of 8.2%. However, this impressive return has been more than offset by application of a reduced discount rate of 3.6% from 4.5% in 2013 to determine the present value of the Scheme liabilities prescribed under the rules of IAS 19. Whilst the standards intention is that the discount rate reflects the best long-term return, we should expect our assets to achieve, current application under the standard equates to 41% of the average asset return actually achieved since 2010 and 44% of the asset managers' benchmark. As a comparison, a discount rate of 4.75% would result in a negligible deficit.

The deficit result produced has a significant impact on our net assets (circa 15p per share) and does so using a discount rate which is materially below the longer term returns our Scheme assets have achieved by investing globally, in a range of return-seeking assets rather than nationally in bonds and gilts. The Company agrees with the Pension Trustees' asset allocation and actively reviews the return achieved from the asset portfolio against its benchmark on a regular basis.

Jamie Boot
Group Managing Director

John Sutcliffe
Group Finance Director
17 April 2015

Banking facilities agreed of

£60m

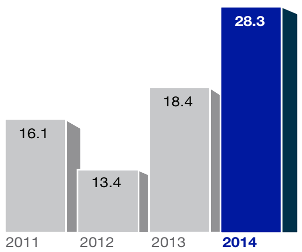
for a three year period from February 2015

OUR KEY PERFORMANCE INDICATORS — FINANCIAL

Each business unit within the Group is required to establish targets at the beginning of each financial year against a broad range of financial and non-financial indicators. The Managing Director of each subsidiary reports on progress at Board meetings every two months. The two main Board Executive Directors attend these meetings and are able to assess whether each unit is performing in accordance with its plan throughout the year.

The key performance indicators used by the Board are as follows:

PROFIT BEFORE TAX (£m)



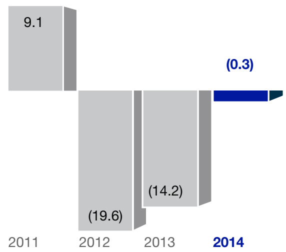
OBJECTIVE
To increase profit levels over time

PERFORMANCE
54% increase

COMMENTS
Higher land sales and profits in 2014. 2015 looks positive in terms of land and property development

ON TARGET ✓

CASH GENERATION (£m)



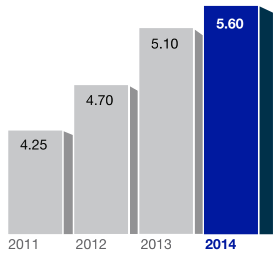
OBJECTIVE
To monitor cash generated over time

PERFORMANCE
Cash outflow £0.3m

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

ON TARGET ✓

DIVIDENDS PER ORDINARY SHARE (p)



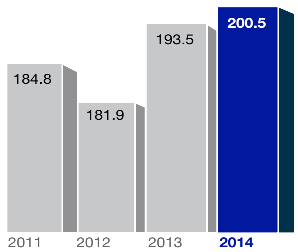
OBJECTIVE
To generate growing shareholder returns over time

PERFORMANCE
10% increase

COMMENTS
10% increase to 5.60p as we move dividends ahead of previous record of 5.10p

ON TARGET ✓

NET ASSETS (£m)



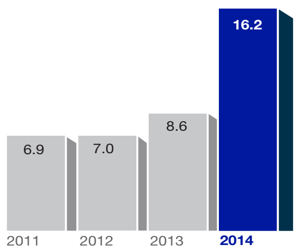
OBJECTIVE
To grow the asset base over time

PERFORMANCE
4% increase

COMMENTS
Increased due to retained profits offset by rise in pension deficit which was affected by the fall in bond yields

ON TARGET ✓

EARNINGS PER ORDINARY SHARE (p)



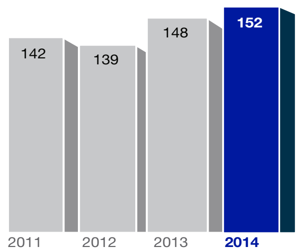
OBJECTIVE
To increase returns over time

PERFORMANCE
88% increase

COMMENTS
Increased due to higher retained profits helped by a reduction in deferred tax charged in the year

ON TARGET ✓

NAV PER SHARE (p)



OBJECTIVE
To increase shareholder value over time

PERFORMANCE
3% increase

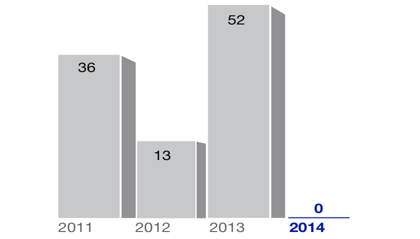
COMMENTS
Little change to share capital, therefore, benefits from retained earnings

ON TARGET ✓

LINKING PERFORMANCE TO REWARD

Read more in our Directors' Remuneration Report on pages 60-77

SHAREHOLDER RETURN (%)



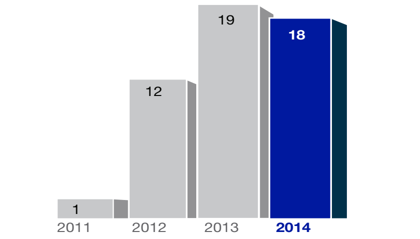
OBJECTIVE
To generate growing shareholder returns over time

PERFORMANCE
No increase in year

COMMENTS
Share price actually fell over the year despite earnings per share doubling. Return over the last 3 years is 73.6% comfortably above the median of the All Share and Small Cap indices

ON TARGET ✓

GEARING LEVELS (%)



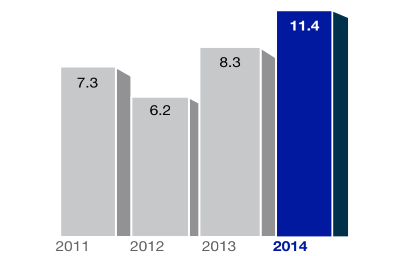
OBJECTIVE
To monitor levels of cash required over time

PERFORMANCE
5% decrease

COMMENTS
This still prudent gearing level gives us flexibility to reinvest in land sites and property development. 2015 should see levels fall slightly once again

ON TARGET ✓

RETURN ON CAPITAL EMPLOYED (%)



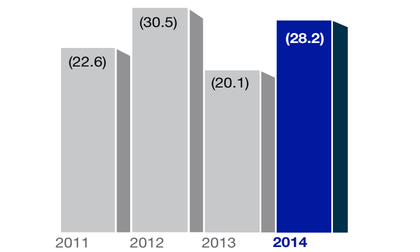
OBJECTIVE
To increase returns on capital employed over time

PERFORMANCE
37% increase

COMMENTS
Healthy improvement in returns over the last three years. Now generating the kind of returns to meet our aspirations

ON TARGET ✓

PENSION SCHEME DEFICIT (£m)



OBJECTIVE
To reduce the pension scheme deficit over time

PERFORMANCE
40% increase

COMMENTS
Discount rate used by IAS19 has reduced to 3.6% from 4.5%. Yet again the pension scheme assets achieved a return substantially ahead of this (10%). A discount rate of 4.75% would result in a negligible deficit

ON TARGET ✗

The KPIs differ in each subsidiary with the exception of financial targets which focus on profitability growth, cash generation and levels of debt, forecast cash requirements, return on capital employed, shareholder return and asset value created. We also review health and safety matters and how economic conditions and changes in legislation may affect individual business units. The Board has decided that the following KPIs, which are included within the papers for each Board meeting, are indicators measuring our success towards achieving long-term, sustainable growth for all stakeholders in our business.

In addition to this, we review a range of specific indicators within each business unit, the main ones being as follows:

Land Development
(see pages 8 to 11)

The size of the strategic land bank, the split between owned and optioned land, the number of allocated sites and changes to those allocations, the extent to which we have full or outline planning consent and the number of residential units or commercial space contained in those consents

Property Investment and Development (see pages 12 to 15)

The expected investment in developments, expected completed values and anticipated yields, rents and rental growth, levels of tenant demand and unlet space, new commercial property investment and development opportunities and potential asset sales.

Construction
(see pages 16 to 19)

Workload forecasts and capacity utilisation in relation to plan, general activity levels, tender opportunities, contract costing workload and wins, health and safety and environmental matters and contract completion, sign off and financial closure. Activity levels by depot and class of asset, health and safety matters, levels of cash generated and returns on plant asset capital employed, which in turn drive asset investment decisions.

Group
(see pages 30 to 33)

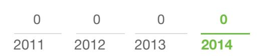
At Group level the business units' financial performance against expectations forms an integral part of the reporting criteria. In addition Group performance indicators of cash and facilities, pension scheme performance, shareholder return and return on capital employed along with health and safety matters are reported on at each meeting.

OUR KEY PERFORMANCE INDICATORS — NON-FINANCIAL

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

ACCIDENT FREQUENCY RATE (AFR)

(per 100,000 hours worked)



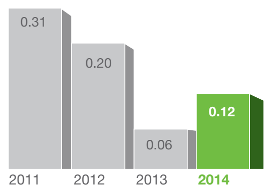
COMMITMENT
Our health and safety

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

COMMENTS
Another successful year of zero incidents affecting our directly employed staff.

ACCIDENT FREQUENCY RATE (AFR)

(per 100,000 hours worked inclusive of sub-contractors)

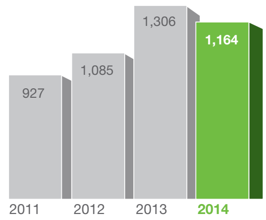


COMMITMENT
Our health and safety

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

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

PERSONAL DEVELOPMENT (DAYS)

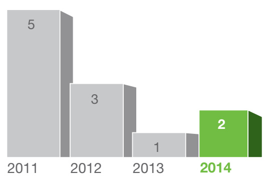


COMMITMENT
Our people

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

COMMENTS
A slight decrease in training days delivered. Reflective of large increase in 2013, where skill gaps were addressed.

REPORTABLE ACCIDENTS

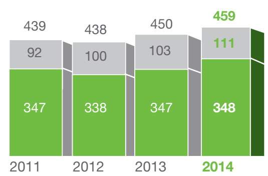


COMMITMENT
Our health and safety

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

COMMENTS
It is an ongoing priority and focus of the Group to commit to ensuring health and safety is paramount, however 2014 saw a slight increase in reportable accidents.

EMPLOYEE PROFILE



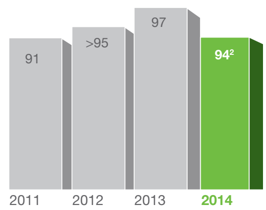
COMMITMENT
Our people

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

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

Males Females

BITC ENVIRONMENTAL INDEX



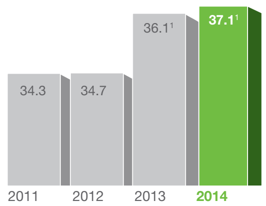
COMMITMENT
Our environment

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

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

[2] The BITC altered its scoring matrix in 2014 which resulted in reductions across the board of approximately 5%).

CONSIDERATE CONSTRUCTOR SCHEME



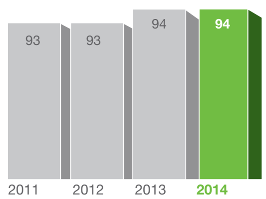
COMMITMENT
Our community

OBJECTIVE
To be classified as a ‘good neighbour’ when scored against the Considerate Constructor Scheme.

COMMENTS
Another solid year of performance which saw achievement of several high scores across our sites.

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

RECYCLING (DIVERTED FROM LANDFILL)



COMMITMENT
Our environment

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

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

OUR AWARDS

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

MANAGING RISK

In common with all organisations, the Group faces risks that may affect its performance.

The Group operates a system of internal control and risk management in order to provide assurance that it is managing risk whilst achieving its business objectives. No system can fully eliminate risk and therefore the understanding of operational risk is central to the management process within Henry Boot. The long-term success of the Group depends on the continual review, assessment and control of the key business risks it faces. To enable shareholders to appreciate what the business considers are the main operational risks, they are briefly outlined below.

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

Independent review

Audit Committee
Internal framework
The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards

Top down

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

Review, risk assessment and reporting

Bottom up

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

Risk assessment

Business units
Day-to-day operations
Policy and procedure manuals cover major areas of their operations, including safety, purchasing, estimating, marketing, production and quality

Read more about our Strategy on page 6
Read more about our KPIs on pages 34, 35, 36 & 37
Read more about our Governance on page 44
Read more about our activites and resources on page 5

Risk and description	Mitigation	Change in risk environment during 2014
DEVELOPMENT		
Not developing marketable assets for both tenants and the investment market on time and cost effectively.	• Monthly performance meetings. • Defined appraisal process. • Monitoring of property market trends. • Highly experienced development team. • Flexible to market trends in development requirements. • Diverse range of sites within the portfolio.	Reduced ↓
Rising market yields on completion making development uneconomic.	• Active asset management. • Monitoring property market trends. • Only develop when yields are stable. • Development subject to a 'hurdle' profit rate.	Reduced ↓
Construction and tenant risk which is not matched by commensurate returns on development projects.	• Construction projects, including returns and cash flows, are monitored monthly by subsidiary company management teams. • Seek high level of pre-lets prior to authorising development. • Development subject to a 'hurdle' profit rate. • Shared risk with landowners where applicable.	Reduced ↓
LAND		
The inability to source, acquire and promote land would have a detrimental effect on the Group's strategic land bank and income stream.	• Monthly operational meetings detail land owned or under control, new opportunities and status of planning. • Each land acquisition is subject to a formal appraisal process which must exceed the Group defined rate of return and is subject to approval by the Group's Executive Directors. • Land bank of over 9,900 acres with aspiration to grow further. Over time the land bank acreage has shown steady growth. • Finance available to support speculative land purchases. • Well respected name within the industry that demonstrates success. • Long-established contact base.	Same ↔

MANAGING RISK continued

Risk and description	Mitigation	Change in risk environment during 2014
LAND		
A dramatic change in house builder funding sentiment and demand for housing can have a marked change on the demand and pricing profile for land.	• The Group's policy is to only progress land which is deemed to be of high quality and in prime locations. • The business is long term and is not seriously affected by short-term events, or economic cycles. • We recognise cyclicality in our long-term plans and operate with a relatively low level of debt. • Greenfield land is probably the most sought after land to build upon. • Long-term demographics show growing trend; therefore demand for land will follow. • House builders have recovered well from the last recession.	Same ↔
INVESTMENTS		
Identifying and retaining assets which have the best opportunity for long-term rental and capital growth, or conversely selling those assets where capital values have been maximised.	• This is an ongoing process with regular reviews of the assets and market conditions and is undertaken dispassionately to achieve best value. • Broad range of development opportunities to choose from. • Investment assets are seen as tradable if required. • We have a record of recycling assets into funding for new developments.	Same ↔
INTEREST RATES		
Significant upward changes in interest rates affect interest costs, yields and asset prices and reduce demand for commercial and residential property.	• The Group uses a mixture of fixed and floating rate loans in order to minimise interest rate costs. • Statement of Financial Position strength allows the Group to warehouse sites in tough markets. • Tough markets often create opportunities to acquire new sites. • Long-term nature of land business helps smooth short-term interest rate impacts. • Interest cover over 20 times, gearing relatively low and therefore significant scope to deal with interest rate rises.	Same ↔

Risk and description	Mitigation	Change in risk environment during 2014
TREASURY		
The lack of readily available funding to either the Group or third parties to undertake property transactions can have a significant impact on the marketplace in which the Group operates.	• The Group has agreed three year facilities with its banking partners which were renewed in February 2015. • Detailed cash requirements are forecast up to 15 months in advance and reviewed and revised monthly. • Financial instruments are considered where applicable and any short-term positive cash balances are placed on deposit. • Facilities backed by investment property assets. • Development funding not utilised. • Group funding levels are prudent in relation to the Statement of Financial Position. • Our lending banks' financial positions are recovering and the appetite to lend is improving. • Group and Executive are very mindful of overtrading into the recovery. • As a PLC access to equity funding is available should this be required.	Reduced ↓
PLANNING		
Increased complexity, cost and delay in the planning process may slow down the project pipeline.	• The Group's highly skilled in-house technical and planning teams monitor changes in the market and in the planning process and react accordingly to ensure that planning consents are achieved in the most cost-effective and timely manner, whilst ensuring a broad spread of developments remain in the planning system at any one time. • Good local knowledge assists in bringing forward land and contractual agreements ensure land can be brought to market at an appropriate time. • Long-established successful operator. • Inventory of approximately 140 sites in progress throughout the UK. • Sites are typically greenfield and of a high quality.	Increased ↑
Significant changes in demand for housing and the attendant decline in land prices may have a detrimental effect on the supply of land being brought to market by landowners.	• Pricing and demand have stabilised. We are now seeing strong markets in the south of England, these trends are now showing signs of moving to other areas of the country. • House builders do have very good land banks and can be choosy regarding what they buy. • Mortgage availability slowly improving. • Continue to work to acquire land for the longer term. • Large land bank can help smooth short-term fluctuations.	Same ↔

MANAGING RISK continued

Risk and description	Mitigation	Change in risk environment during 2014
PLANNING		
Changes in Government or Government policy, as happened in 2010, towards planning policies could impact on the speed of the planning consent process or the value of sites.	• Large land bank can help smooth short-term fluctuations. • A high profit margin can be achieved when successful. • No revaluations are taken on land through the planning process; therefore though profits may be smaller if site values fall the Group should still achieve a good profit margin on sale.	Same ↔
PERSONNEL		
Attraction and retention of the highest calibre people with the appropriate experience is crucial to our long-term growth in the highly competitive labour markets in which the Group works.	• This risk is reduced as unemployment rises and recessionary conditions prevail. • Good long-term employment record indicates that good people stay within the Group. The Group encourages equity ownership. • Decent record of sharing profits with key individuals and staff. • Succession planning is an inherent part of management process.	Same ↔
PENSION		
The Group operates a defined benefit pension scheme which has been closed to new members for 11 years. Whilst the Trustees have a prudent approach to the mix of both return seeking and fixed interest assets, times of economic instability can have an impact on those asset values with the result that the reported pension deficit increases. Furthermore, the relationship between implied inflation and long-term gilt yields has a major impact on the pension deficit and the business has little control over those variables.	• Operation of Trustee approved Recovery Plan. • Whilst pension schemes are a long-term commitment, regulations require the Group to respond to deficits in the short term. • Move out of gilts will provide a cushion should rates rise. • Risk mitigated by move to diversified growth funds on around 20% of assets, along with 9% of assets into an index linked property fund. • Treat pension scheme as any other business segment to be managed. • Strong working relationship maintained between Company sponsor and pension Trustees. • Use good quality external firms for actuarial and investment advice.	Increased Discount rate fallen 90bps ↑
ENVIRONMENTAL		
The Group is inextricably linked to the property sector and environmental considerations are paramount to our success.	• Our interaction with the environment and the agencies that have an overarching responsibility has to be positive at all times in order to achieve best value.	Same ↔

Risk and description	Mitigation	Change in risk environment during 2014
ENVIRONMENTAL		
Stricter environmental legislation will increase development and house building costs and therefore could impact on profitability if capital and land values do not increase to reflect more efficient energy performance.	• Through the National Federation of Builders the Group attempts to reduce the impact on our business. • Internal design helps mitigate environmental planning issues. • Record of awards given in respect of good safety and environmental performance. • Environmental impacts addressed at main Board and each subsidiary company board meeting. • Construction division has a Renewable Energy Unit to progress Group aims in this area.	Same ↔
ECONOMIC		
The Group operates solely in the UK and is closely allied to the real estate, house building and construction sectors. A strong economy with strong tenant demand is vital to create long-term growth in rental and asset values, whilst at the same time creating a healthy market for the construction and plant hire divisions. The much published reductions in public spending, the more difficult planning regime and comparatively low levels of property lending could have an impact on the Group's business.	• Strong Statement of Financial Position with low gearing and long-term shareholder base means that we can ride out short-term economic fluctuations. • Different business streams increase the probability that not all of them are in recession at the same time. • The City recognises the Group is a cyclical business and understands performance will be affected by economic cycles. • Directors and shareholders share common goal of less aggressive leveraging than some competitors. • Current market conditions are supportive.	Reduced ↓
COUNTERPARTY		
Depends on the stability of customers, suppliers, funders and development partners to achieve success.	• In recessionary periods the Group pays particular attention to the financial strength of counterparties before contracting with them in order to mitigate financial exposure.	Reduced ↓

Henry Boot

CREATING VALUE...

THROUGH STRONG STEWARDSHIP & ENTREPRENEURIAL LEADERSHIP

John Brown Chairman

High level of 'take up' for 2014 Sharesave Plan

52%

of employees buying shares in Henry Boot PLC

Company Facts

- Reaccredited with Investors in People standard after rigorous review process
- Premium Listed Company on LSE

Q

WHY IS MAINTAINING STRONG GOVERNANCE IMPORTANT TO THE BOARD?

A

It is felt that strong governance within Henry Boot keeps the Company true to its historic identity, safeguards and promotes the values of today, and identifies our vision for the future. By exhibiting leadership the Board will motivate employees to achieve personal as well as team and Company goals. The Board also reassures stakeholders about how the Company is being managed in an effective and organised manner. We feel that our Board of Directors demonstrate the right blend of skills, experiences and perspectives to lead the Company forward. We also feel it is of particular importance that the senior management of our subsidiary companies report fully on a personal level to the main Board at least once a year.

Strong governance is about people and how those people work together towards a shared vision.

02

GOVERNANCE

BOARD OF DIRECTORS

John Brown
Chairman

Current role
Chairman since May 2011. Appointed a Non-executive Director in March 2006.

Committees
Nomination (Chairman), Audit and Remuneration.

Additional roles held
Non-executive Chairman of Scott Harris UK Limited and Non-executive Director of Lookers plc (retired in December 2014).

Past roles
Chief Executive of Speedy Hire plc which he founded in 1977. His former appointments include Non-executive Director of Norcros plc and Non-executive Director of Oriel Securities Ltd.

Brings to the Board
John has many years' experience of managing public limited companies in similar fields to Henry Boot PLC and his close interaction with the City assists strategic decision making.

Jamie Boot
Group Managing Director

Current role
Group Managing Director since July 1986. Appointed an Executive Director in June 1985.

Additional roles held
Chairman of the Company's four principal operating subsidiaries – Henry Boot Construction Limited, Hallam Land Management Limited, Henry Boot Developments Limited and Banner Plant Limited. Director responsible for health and safety matters.

Past roles
Managing Director at Henry Boot Developments Limited and Director at Henry Boot Homes Limited.

Brings to the Board
Jamie has 30 years' experience as a director of Henry Boot PLC. He has the responsibility for the subsidiary company boards, Group profitability and continues to guide in the achievement of the highest level of return for a given level of risk. Along with John Sutcliffe, Jamie is responsible for communicating strategy and results to both private and institutional investors.

John Sutcliffe
Group Finance Director

Current role
Group Finance Director since October 2006.

Additional roles held
Director of the Company's four principal operating subsidiaries – Henry Boot Construction Limited, Hallam Land Management Limited, Henry Boot Developments Limited and Banner Plant Limited. Director responsible for finance, risk and pensions. Member of the CBI Yorkshire and the Humber Regional Council. Lay member of the Sheffield University Finance Committee.

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

Brings to the Board
John is responsible to the Board for all financial matters relating to the Henry Boot Group of Companies. He is also a Trustee of The Henry Boot Staff Pension and Life Assurance Scheme and is heavily involved in investor communications. Along with Jamie Boot, he sits on all subsidiary boards of directors and helps relay subsidiary strategy back to the main Board.

Michael Gunston
Non-Executive Director

Current role
Non-executive Senior Independent Director since May 2011. Appointed a Non-executive Director in December 2006.

Committees
Nomination, Audit and Remuneration (Chairman)

Past roles
Chief Surveyor of The British Land Company PLC where he worked for 32 years.

Brings to the Board
Michael is Chairman of the Remuneration Committee. His extensive real estate and varied general experience gained as Chief Surveyor at British Land is extremely valuable in guiding the Group's development and asset management opportunities to profitable outcomes.

James Sykes
Non-Executive Director

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

Committees
Nomination, Audit (Chairman) and Remuneration

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

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

Russell Deards
Company Secretary

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

Additional roles held
Responsible for Legal, Insurance and IT matters.

Past roles
Head of Legal Services for Barratt Developments and Partner at Flint Bishop Barnett Solicitors.

SENIOR MANAGEMENT

David Anderson
Henry Boot Developments Limited

Appointment date
Managing Director in 2005

Brings to the role
David Anderson, BSc (Hons), MRICS, 48, started his career in town planning consultancy and then joined Henry Boot Developments Limited in 1990 as an Assistant Development Surveyor, rapidly rising to the position of Senior Development Surveyor. He was appointed a Director in 1996.

Giles Boot
Banner Plant Limited

Appointment date
Managing Director in 2000

Brings to the role
Giles Boot, BA (Hons), 55, joined the Henry Boot Group in 1982 and had a variety of management roles in Rothervale Trading Limited, the retail side of the then Group's door manufacturing business. Moving to Banner Plant Limited in 1988, he held a number of positions, including Depot Manager and Business Development Manager, before being appointed to its Board in 1995.

Simon Carr
Henry Boot Construction Limited

Appointment date
Managing Director in 2009

Brings to the role
Simon Carr, BSc (Hons), FRICS, 56, has been with Henry Boot for over 26 years. He has held a number of positions on the construction side of the business, including Partnering Manager and Operations Director. Simon is a member of the Board of the Sheffield City Region Local Enterprise Partnership, the Sheffield City Region Joint Housing and Regeneration Board, and the SCR Infrastructure Advisory Board. He also sits on the South Yorkshire Freight and Transport Partnership, is an HS2 Ambassador and chair of the regional executive board of the National Federation of Builders.

Keran Power
Hallam Land Management Limited

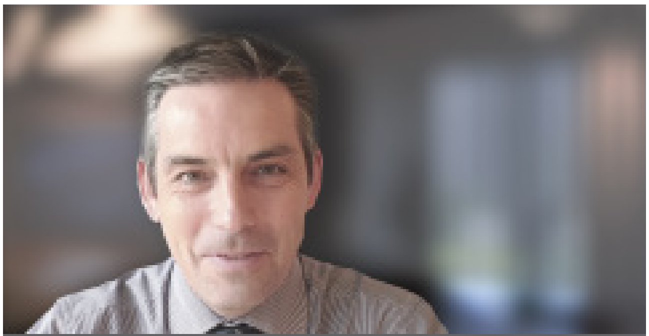
Appointment date
Managing Director in 2010

Brings to the role
Keran Power, MRTPI, 64, began his career in Local Government as a Planning Officer. He joined the then newly created Hallam Land Management Limited in 1990 as a Regional Manager and was appointed a Director in 1993. Keran is a Chartered Town Planner and for a number of years was a member of the National Council of The Royal Town Planning Institute.

Darren Stubbs
Stonebridge Projects Limited

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

Brings to the role
Darren Stubbs, 47, started work at Tay Homes plc at the age of 16 and by the age of 25 he was Managing Director of his own small housebuilding company based in Leeds. Over the next 15 years he grew the business to achieve an annual turnover of £25 million. In 2010 he formed a new house builder and property company, Stonebridge Projects Limited, in a joint venture partnership with Henry Boot PLC.



Trevor Walker
Road Link (A69) Limited

Appointment date
General Manager in 2005

Brings to the role
Trevor Walker, IEng AMICE, 49, 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, helping to establish the company before his appointment as General Manager in 2005.

CHAIRMAN'S INTRODUCTION

John Brown
Chairman

View more content online at:
www.henryboot.co.uk

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

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

The Board remains committed to ensuring that it provides effective leadership and demonstrates high ethical standards. This is one demonstration of my and its determination to add value to the Company. One of the ways in which we achieve this is by maintaining high standards of corporate governance principles and practices in order to facilitate the future success of the Company and sustain this over time.

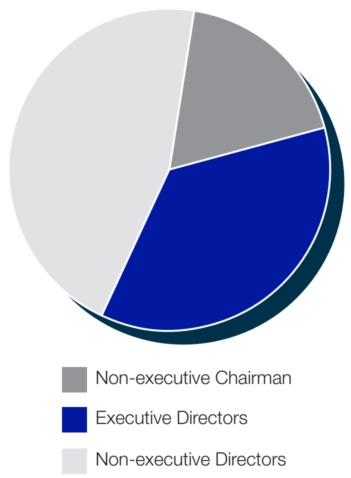
As Chairman, I am responsible for the leadership of the Board and ensuring that it operates effectively. The Board has agreed clearly defined roles for myself and the Group Managing Director. The Non-executive Directors challenge management and contribute to strategy. Board composition is extremely important and there are three main requirements: the balance of skills and experience, maintaining a strong level of independence and objectivity, and ensuring that all members have sufficient knowledge of the Company and the context in which we operate. Appointments to the Board will always be made on merit against objective criteria and the Board strongly supports the principle of boardroom diversity. The Board, its Committees and individual Directors are subject to annual performance evaluation and, as we act in shareholders' interests, all Directors are now subject to re-election by shareholders annually.

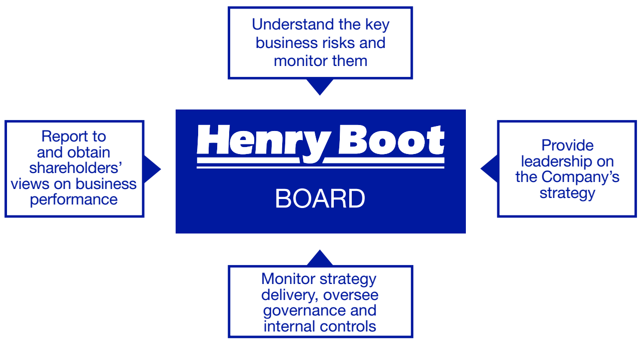
The remainder of this report contains the narrative reporting variously required by the Code, the Listing Rules and the Disclosure Rules and Transparency Rules which I hope you will find of interest.

Yours faithfully

J E Brown
Chairman
17 April 2015

CORPORATE GOVERNANCE STATEMENT





The Board reaffirms its commitment to achieving and maintaining a high standard of corporate governance. To be effective, it is felt that such governance must reflect the unique standing of the Company and the composition of both its institutional and individual shareholders, many of whom have strong family ties to the Company, as well as other stakeholders' interests and, above all, that governance must assist in the attainment of corporate objectives.

During the accounting period under review, the Company, as a premium listed company, was subject to the September 2012 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC). The UK Corporate Governance Code is available free of charge on the FRC website at www.frcpublications.com. In September 2014, a revised version of the Code was published by the FRC and the new Code will apply to the Company in respect of the financial year ending 31 December 2015.

The Code recognises that not all of its provisions are necessarily relevant to smaller listed companies and the Code states that departures from its provisions should not be automatically treated as breaches of the Code. The Directors believe that the Code is correctly applied as and where relevant to the Company and are satisfied that in areas of departure from the Code the departure is for good reason.

In applying the principles of good governance, including both the main principles and the supporting principles, the policies adopted by the Board therefore follow the Code's guidelines insofar that they assist the overall well-being of the Company and its shareholders' interests. The Board adopts a pragmatic approach where adoption of all the supporting principles of the Code is not an objective as such. Compliance with good reason and departure with good reason are discussed and agreed. Further explanations of how the main principles and the supporting principles have been applied are set out on pages 50 to 55.

The Board

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

The Board consists of five Directors and their biographical summaries appear on pages 46 and 47. Two of the Directors are Executive and the remaining three, including the Chairman, are Non-executive. All Directors served throughout 2014.

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls that enables risk to be assessed and appropriately managed. It sets the Company's strategic aims, reviews management performance and ensures that the necessary financial and human resources are in place, and will continue to be in place for the Company to meet its objectives, recognising the importance of safety, environmental and social factors. The Board also sets the Company's aims and values and ensures that its obligations to its shareholders and others are understood and met. Day-to-day management of the Company's subsidiaries sits with each respective board of directors, led by a Managing Director. The Executive Directors of the Company are also directors of each subsidiary.

The Board retains a Schedule of Reserved Matters which is reviewed annually to ensure that strategy and key elements that might affect the implementation of corporate goals are adhered to. The Board is responsible for:

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

CORPORATE GOVERNANCE STATEMENT continued

At its regular Board meetings there is a series of matters that are dealt with, including a health and safety review, a finance review, including pensions, operational reviews on all the main trading subsidiaries and a secretarial review encompassing corporate governance, risk, shareholder matters, legal, insurance and IT. HR reports are also provided to the Board for review and comment. The Board also reviews strategy, budgets and matters relating to internal controls as appropriate. The subsidiary board meetings are attended by the two main Board Executives, as Directors of those subsidiaries, accompanied by the Company Secretary. Operational decisions affecting each subsidiary are taken by the individual subsidiary boards at their meetings.

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

The Company Secretary is responsible for information flows between the Board, its Committees and the boards of subsidiary companies. Formal inductions for new directors are being developed, along with continued professional development training. The Company Secretary also ensures procedures, regulations and law are followed and advises the Board on governance issues. In the last year, information on directors' duties and conflicts has been reviewed and reissued as part of the ongoing issue of 'Company Secretarial Alerts'. The question of conflicts of interest is raised at every Board meeting of the Company and its subsidiaries.

Board effectiveness

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

The split of responsibilities between the Chairman and the Group Managing Director are summarised on page 53.

The Chairman is responsible for leadership of the Board and ensuring it operates effectively. It is considered that the Directors possess an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

The Chairman's other significant commitments can be found in his biography on page 46.

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

Board balance and independence

For the purposes of the accounting period under review, J E Brown and M I Gunston are the independent Non-executive Directors and, with the Company being a "smaller company" as defined by the Code, they fulfil the requirement for having two such Directors. Although J E Brown has served for more than nine years, he has continued to demonstrate his independence from the Company and objective approach in the way he challenges the Executive Directors and accordingly, notwithstanding the length of his service, J E Brown has been determined by the Board to remain independent. M I Gunston is the Senior Independent Director of the Company. J J Sykes was appointed to represent the substantial shareholdings of the Reis family interests (see page 79) and is not regarded as an independent Non-executive Director.

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

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

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

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

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

Conflicts of interest

Under the Companies Act 2006 a director must avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Company's Articles of Association enable the Board to authorise Directors' conflicts of interest. In order to address this issue, conflicts of interest are reported by Directors to the Company Secretary and in turn through the Board meeting processes. The Board considers a register of interests and potential conflicts of Directors and gives, when appropriate, any necessary approvals. There have been no conflicts of interest reported to the Board during the year.

Chairman:
John Brown

Runs the Henry Boot PLC Board and has overall responsibility for the management of the Committees (Audit, Remuneration and Nomination) of the Board

Has an oversight role and is available to all shareholders

Group Managing Director:
Jamie Boot

Runs the Company and its subsidiaries

Acts as Chairman of the subsidiaries and attends all the subsidiary board meetings

Has overall responsibility for strategy, annual budgets, interaction with the City and market forecasts

Allocates responsibilities for the running of subsidiary companies, finance, company secretarial, legal, insurance, HR and IT to the department heads or subsidiary Managing Directors as applicable

Day-to-day operational management is devolved to management within each subsidiary business

How we assess and refresh the Board and its Committees

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

Performance evaluation

The Executive Directors' performance is reviewed annually by the Remuneration Committee to ensure that they continue to contribute effectively to the Group's overall objectives. The Non-executive Directors' performance and commitment is kept under review throughout the year by the Executive Directors. The Non-executive Directors meet without the Chairman to discuss the performance of the Chairman at least twice a year.

A performance evaluation of individual Directors was carried out and there was a formal evaluation of the Board and its Committees in 2014.

Succession planning

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and ensuring that the balance of knowledge, skills and experience are right for the Group. The Committee is also responsible for long-term succession planning at both Board and key senior management level. The Board also recognises the importance of diversity and is comprised of members with a wide range of experience from a variety of business backgrounds. Leadership training for the leaders of today and tomorrow is being developed and will be launched in 2015 as part of the process of succession planning.

Annual re-election by shareholders

The Company's Articles of Association (Articles) require Directors to be re-elected at intervals of no more than three years and newly appointed Directors are subject to election at the Annual General Meeting (AGM) following their appointment. In addition, the UK Corporate Governance Code includes a proposal that all directors of FTSE 350 companies should be subject to annual re-election. Following communication with certain shareholders, the Board has decided that all of the Directors will retire from the Board and offer themselves for re-election at the forthcoming AGM. The Nomination Committee has conducted formal performance evaluations of all the Directors seeking re-election and has concluded that their performance continues to be effective and that they demonstrate commitment to the role. The Committee is also satisfied that the backgrounds, skills, experience and knowledge of the Company of the Directors collectively enables the Board and its Committees to discharge their respective duties and responsibilities effectively. The Directors' biographies are shown on pages 46 and 47. None of the Executive Directors holds external directorships.

Training and development

The Board received appropriate training and updates on various matters as part of the regular Board meetings. All Directors are offered the opportunity and are encouraged to continue their professional development and update their commercial and Company knowledge as required.

Board and committee meetings

Throughout the year, there were seven Board meetings attended by all Directors. In addition, the Board must also delegate some of its duties and powers to committees to deal with specific business needs and also holds a meeting at least once a year dedicated almost entirely to strategy. The Board has formally constituted Audit, Remuneration and

CORPORATE GOVERNANCE STATEMENT continued

Nomination Committees. Each Committee and its members are provided with accurate, timely and clear information and sufficient resources to enable them to undertake their duties. Three Audit Committee meetings, two Nomination Committee meetings, four Remuneration Committee meetings and the AGM were held in 2014. A Board Strategy Day also took place away from the office. Attendance at the Board meetings and Committee meetings held during 2014 is set out in the table below. The Non-executive Directors meet without the Executive Directors being present, usually just prior to Board meetings. The Board considers that the Non-executive Directors constructively challenge both the Executive Directors and subsidiary company management at Board meetings and through ad hoc discussions including the Strategy Day. Subsidiary company Managing Directors attend Board meetings on a rotational basis to present their operational business plans and strategy to the Board. Further details of each of the above Committees can be found on pages 56 and 77.

Director	Board	Audit	Remuneration	Nomination
J E Brown	7/7	3/3	4/4	2/2
E J Boot	7/7	—	—	—
J T Sutcliffe	7/7	—	—	—
M I Gunston	7/7	3/3	4/4	2/2
J J Sykes	7/7	3/3	4/4	2/2

Risk management and internal controls

The Board is responsible for the Company's internal controls and operates and maintains a system of internal controls which is reviewed regularly for its effectiveness and which broadly accords with the Turnbull Committee guidance thereon. Whilst the system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Company's business objectives, it can only provide reasonable, not absolute, assurance against material misstatement or loss. The Board is satisfied with the system in place but will keep it under review. The system is, and has been, an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. It has been in place for the period under review and up to the date of the approval of the Annual Report and Financial Statements. No material weaknesses have been identified by the system in the year.

The following key processes are considered by the Board to provide effective management of significant risks to the business:

- the business organisation and structured reporting framework — each of the Company's activities is monitored through bi-monthly management meetings and formal bi-monthly subsidiary company board meetings. The latter are attended by the Board's Executive Directors and chaired by E J Boot. Formal lines of responsibility and levels of authority are in place within each subsidiary company. Annual plans, budgets (with two out-post years) and performance criteria for each business are set by the Executive Directors and performance against these targets is reviewed monthly by the Board. Annual profit forecasts and 15 month cash flow forecasts are produced on a monthly basis. The Board monitors the risks and associated controls over financial reporting processes, including the consolidation process. The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. Operations on the ground are also monitored frequently by way of visits to sites, depots, properties and regional offices by the Executive Directors; and
- centralised operations — specific risks and compliance issues associated with health and safety, treasury and banking operations, company secretarial, pensions, legal, human resources and training, public and investor relations, information communication technology and insurance are managed centrally and report functionally to the appropriate Company officer (either an Executive Director or the Company Secretary) responsible for that particular operation.

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

- business procurement — development appraisals, land purchases, options and construction contracts above a set value require the authority of the Executive Directors to proceed. A strict routine covering the authorisation of capital expenditure is in place and Board approval is required for any corporate acquisition or disposal; and
- day-to-day operations — responsibility for running the day-to-day operations and for reviewing the associated systems of control is devolved to each subsidiary company Managing Director. Policy and procedure manuals cover major areas of their operations, including safety, purchasing, estimating, marketing, production and quality. The subsidiary company Managing Directors review and report to the Audit Committee on the effectiveness of the systems of internal controls in place and any matters of concern are raised at Board meetings and the Board is satisfied with current arrangements, which will, however, be kept under review.

Whistleblowing arrangements

The Company has operated a "whistleblowing" arrangement throughout the year whereby all employees of the Group are able, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and directors and any breaches of the Company's Anti-Bribery and Corruption Policy.

Anti-bribery and corruption policy

The Company values its long-standing reputation for ethical behaviour and integrity. Conducting its business with a zero tolerance approach to all forms of corruption is central to these values, the Group's image and reputation. The Company policy sets out the standards expected of all Group employees in relation to anti-bribery and corruption and the Board has overall responsibility for ensuring this policy complies with the Group's legal and ethical obligations and that everyone in our organisation complies with it.

This policy is also relevant for third parties who perform services for or on behalf of the Group. The Group expects those persons to adhere to this policy or have in place equivalent policies and procedures to combat bribery and corruption.

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

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 81. The Independent Auditors' Report is given on pages 84 to 91.

The Directors' statement in respect of the business as a "going concern" is provided in the Directors' Report on page 78.

Shareholder accountability

The Company actively communicates with its institutional and private shareholders and likewise receives feedback from them. It is this close relationship with shareholders that is seen as one of the particular strengths and characteristics of the Company.

During the year a number of formal presentations were made by members of the Board to institutional shareholders; feedback from visits to institutional shareholders is provided to the Board by our stockbrokers.

The Company uses the Investor Relations section of its website, www.henryboot.co.uk, to publish statutory documents and communications to shareholders, such as the Annual Report and Financial Statements, and Half-yearly Report, as its default method of publication. The website is designed to be a two-way communication process with both present and potential investors and includes all London Stock Exchange announcements, presentations to analysts and press releases over the last 12 months and also links to the websites of our four principal operating subsidiaries.

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

The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2014 proxies were received representing 71.75% 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 Shareholder Information on page 140 to the inside back cover.

Compliance statement

The Company has complied with the vast majority of the provisions of the September 2012 edition of the UK Corporate Governance Code that are applicable to it for the year ended 31 December 2014. The following provisions are those where the Company is not strictly in compliance with the Code. For the reasons stated, the Directors believe that the Company's stance is justified in this respect.

A.4.2, B.6.3

The performance of the Chairman is appraised by the Executive Directors as is the performance of the other Non-executive Directors. As Henry Boot PLC is a smaller listed company, it is felt that this is the most appropriate approach.

D.2.2, D.2.3

The Chairman and the two Non-executive Directors are members of the Remuneration Committee; their remuneration is set by the Executive Directors. As Henry Boot PLC is a smaller listed company, it is felt that this is the most appropriate approach.

Approved by the Board and signed on its behalf by

R A Deards
Company Secretary
17 April 2015

NOMINATION COMMITTEE REPORT

John Brown
Chairman

View more content online at:
www.henryboot.co.uk

Those serving as members of the Nomination Committee (the Committee) in 2014 were J E Brown, Non-executive Chairman, M I Gunston, non-executive Senior Independent Director, and J J Sykes, non-independent Non-executive Director. Biographies of the members of the Committee are shown on pages 46 and 47.

Terms of reference

The terms of reference for this Committee were reviewed and updated in 2014. They fully incorporate the UK Corporate Governance Code's provisions in relation to its roles and responsibilities and are available for inspection at the Company's registered office.

Role of the Committee

The principal responsibility of the Committee is to consider succession planning and appropriate appointments to the Board and to senior management, so as to maintain an appropriate balance of skills, knowledge and experience within the Company, and its duties include:

- overseeing the identification, selection and appointment of Directors;
- reviewing the structure, size, composition and leadership needs of the Board;
- considering other commitments of Directors relative to the time required for them to fulfil their duties; and
- periodically evaluating the effectiveness of the Board.

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

Meetings during the year

The Committee met twice during the year, once to discuss the appointment of new directors to a subsidiary company and once to approve the revised terms of reference for the Committee. Attendance at these meetings by the Committee members is shown in the table on page 54.

Nomination Committee matters are also discussed at each Board Meeting.

Approved by the Board and signed on its behalf by

J E Brown
Chairman of the Nomination Committee
17 April 2015

AUDIT COMMITTEE REPORT

James Sykes
Committee Chairman

View more content online at:
www.henryboot.co.uk

Those serving as members of the Audit Committee (the Committee) in 2014 were J J Sykes (Committee Chairman), J E Brown and M I Gunston. Biographies of the members of the Committee are shown on pages 46 and 47.

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

Terms of reference

The terms of reference for this Committee were reviewed and updated in 2014. They fully incorporate the UK Corporate Governance Code's provisions in relation to its roles and responsibilities and are available for inspection at the Company's registered office.

Role of the Committee

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

- to review and consider the scope and effectiveness of the Company's financial controls, Company internal control and risk management systems;
- to review the annual report of the auditors, the level of fees charged by the auditors for non-audit services, the independence and objectivity of the auditors and the proposed nature and scope of their work before the audit commences. Details of fees paid for non-audit services are set out in note 3 to the Financial Statements. The level of these fees and the services provided are reviewed by the Committee to ensure that they do not threaten auditor objectivity and independence. During the year, the Committee reviewed the independence and objectivity of the external auditors, which was confirmed in an independence letter containing information on procedures providing safeguards established by the external auditors. Regulation, professional requirements and ethical standards are taken into account, together with consideration of all relationships between the Company and the external auditors and their staff. Relations with the external auditors are managed through a series of meetings and regular discussions and we ensure a high quality audit by challenging the key areas of the external auditors' work;
- to review and make recommendations to the Board in relation to the Half-yearly and Annual Reports;
- to oversee the selection process with regard to external auditors, to consider the appointment/reappointment of external auditors and make appropriate recommendations through the Board to the shareholders to consider at the Annual General Meeting (AGM);

AUDIT COMMITTEE REPORT continued

- to review the Company's procedures for handling reports by "whistleblowers";
- to consider annually whether there is a need for an internal audit function and make recommendations to the Board. However, from past experience, the use of this function has not resulted in added value to the business and this continues to be the view of the Committee in its deliberations this year;
- to monitor the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance; and
- to review annually the Company's Anti-Bribery and Corruption Policy.

Meetings during the year

The Committee met twice during the year, with the Company's auditors in attendance for part of each meeting. A third meeting was held without the Company's auditors in order to approve the revised terms of reference for the Committee. Attendance at these meetings by the Committee members is shown in the table on page 54.

Audit Committee matters are also discussed at each Board meeting.

Committee activities during the year

In 2014 the principal activities of the Committee and the way in which it discharged its responsibilities were as follows:

Financial Statements

The Committee reviewed the Group's draft Financial Statements, interim Financial Statements, Preliminary Statements and reports from the external auditors on the outcome of its reviews and audits in 2014.

Significant accounting matters

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

Going concern

The Committee reviewed and considered in depth papers relating to the going concern disclosure in the Financial Statements. The Financial Statements disclose the conclusion of these reviews on page 96.

Construction accounting judgements

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

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

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

Provision accounting judgements

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

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

Valuation of investment property

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

Valuation of inventory

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

Valuation of Pension Scheme Liability

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

Independence of the external auditors

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

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

In 2014 the external auditors performed services in respect of the annual covenant review for the Pension Trustees with a view to securing an amendment to the Pension Protection Fund Levy. The appointment of PwC was considered to be the most efficient and therefore cost effective solution.

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

In accordance with best practice, the Company also requires its external auditor partner to rotate every five years. The statutory auditor signing the Audit Report is Mr Andy Ward who was appointed as the lead partner in 2013.

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

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

Audit quality and approach to audit tender

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

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

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

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

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

Risk management and controls

Details of the key risks which face the Group, the key controls in place to control those risks and the system of risk management adopted by Henry Boot PLC are set out on pages 38 to 43.

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

Internal audit

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

Accountability

The Committee, having reviewed this Annual Report, considers that the report is fair, balanced and understandable. The report is clear and concise in its summary of performance in the financial year. All material matters of interest to shareholders and external stakeholders have been reported to provide the information required to assess the Group's performance, business model and strategy.

Approved by the Board and signed on its behalf by

J J Sykes
Chairman of the Audit Committee
17 April 2015

DIRECTORS' REMUNERATION REPORT

Michael Gunston
Committee Chairman

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www.henryboot.co.uk

On behalf of the Board and the Remuneration Committee (the Committee), I am pleased to present the Henry Boot PLC (the Company) Directors' Remuneration Report for the year ended 31 December 2014.

The clear and consistent strategy aimed at creating long-term shareholder value produced a very strong result in 2014. The markets in which our various businesses trade were all on an improving trend; however, these markets can still catch out the imprudent or unwary operator and have to be managed with skill and care.

2014 proved to be the best result for the Group since 2007 with:

- Profit before tax increasing 54% to £28.3m;
- Basic earnings per share increasing 88% to 16.2p;
- Return on Capital Employed increasing 310 bps to 11.4%;
- Dividends for the year increasing 9.8% to 5.6p;
- Dividend cover is approaching our long-term goal of three times;
- Our strategic land portfolio increased in size again to almost 10,000 acres with planning permission on over 11,000 units;
- We have more active commercial developments in progress than at any stage since 2007;
- Our Construction business has a strong order book for 2015 and the Plant Hire business is operating at its highest level of utilisation than for many years;
- All operating segments improved profitability over the previous year.

Executive remuneration outcomes for 2014

In the current market conditions the aforementioned results were nothing short of excellent. Against this backdrop, the combined overall remuneration of the Executive Directors fell by approximately 7.6%, after the stable share price in 2014 reduced Total Shareholder Return against the comparator group. This then impacted the number of Long Term Incentive Plan Shares (LTIPS) that will be received.

Basic salaries were increased by 3% both at 1 January 2014 and 1 January 2015 compared to an increase across the Company in total of 3.82%.

Bonuses were paid in line with the Remuneration Policy approved at the Annual General Meeting (AGM) in May 2014. Target profit was set at £20m, 9% ahead of that achieved in 2013 and 5% ahead of the consensus analysts' forecasts at that time. The profit before tax of £28.3m exceeds the target by 41.6% and this gives rise to a bonus of 104.4% of salary for the year ended 31 December 2014.

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

Therefore, the total bonus for both Executive Directors is 113.4%. Although rules relating to clawback or malus do not apply to the 2014 bonus, the Remuneration Committee will introduce these measures into the 2015 bonus process.

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

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

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

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

For these awards the actual performance against the targets to 31 December 2014 was:

i. profit before tax increased by 75.7% against the inflation measure, including the 4% excess applied each year of 20% and therefore, this part of the award vests in full;

ii. the increase in the property index was 35%. The Balance Sheet adjusted NAV growth did not reach this level and therefore no award is applicable;

iii. total shareholder return of 73.6% was below the median when set against the comparator group and therefore the 50% award in (i) is reduced to 25%.

Therefore, the award of LTIP shares to E J Boot is 61,598 shares, and J T Sutcliffe 42,043 shares.

Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration policy, it is broadly in line with that which operated up to the end of 2014. The Committee has made some changes to give more clarity to the performance criteria for both LTIPS and annual bonus and reduced the LTIP vesting at threshold to 25% from 30%. Furthermore, the annual bonus scheme now has specific performance criteria applied to future awards rather than the discretionary criteria used up to 31 December 2013. The introduction of a new revised LTIP scheme at the 2015 AGM incorporates, for the first time, a holding period and malus and clawback conditions. These malus and clawback conditions will also apply to the operation of the annual bonus scheme for the financial year commencing on 1 January 2015.

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

The application of Directors' Remuneration policy for 2015

- The Executives and Non-executive Directors were awarded a 3% uplift in basic salary for the year ending 31 December 2015. The average across the workforce as a whole was 3.82%.
- The bonus opportunity for the Executives is detailed in the Remuneration Policy and will apply as laid out in the policy.
- The profit before tax target is considered commercially sensitive and will therefore be disclosed retrospectively, as we have done in respect of 2014.
- LTIPS will be awarded under the new 2015 scheme rules which are to be put to the AGM in May. The new rules will 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 as approved in the Remuneration Policy. It is expected that the award will be at a level equal to 100% of salary.

Clawback and malus conditions will be applied to both the bonus and Long Term Incentive Plan (LTIP) elements of remuneration in 2015. Specifically, this will arise if the Remuneration Committee consider that there has been a material misstatement within the subsidiary or Group accounts; 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 2015.

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 and is split into two sections:

1. the Directors' Remuneration Report sets out payments and awards made to the Directors and details the link between performance and remuneration for 2014. This, and this Chairman's letter, is subject to an advisory shareholder vote at this year's AGM (please see Resolution 3);

DIRECTORS' REMUNERATION REPORT continued

2. the Directors' Remuneration policy on pages 71 to 77 sets out the Company's policy on Directors' remuneration which was approved at the AGM on 22 May 2014. Due to the change to the LTIP scheme and the introduction of malus and clawback, the policy will be put before shareholders once again at the AGM (see Resolution 4).

With the exception of:

a. the Total Shareholder Return graph;

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

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

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

the information set out on pages 63 to 71 of the Directors' Report on Remuneration is subject to audit.

Summary of the Committee's activity during 2014

During 2014 the Committee:

1. considered Directors' base pay and benefits for 2014 and 2015. Salary rises for the Executive Directors at 1 January 2014 were 3% and from 1 January 2015 have been set at 3%;
2. a review of the LTIP performance metrics and level of reward for the year under review;
3. a review of the performance of the Executive Directors for 2014 and against that background, set performance targets for 2015;
4. the bringing forward of a new LTIP scheme to be voted upon at the AGM in May 2015;
5. considered the drive by investors to include clawback and malus clauses in the areas of bonus and LTIPS and have resolved to introduce these measures in 2015 for both bonus and LTIP sections of Executives' remuneration.

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

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

M I Gunston
Chairman of the Remuneration Committee
17 April 2015

ANNUAL REPORT ON REMUNERATION

The following parts of the Directors' Remuneration Report are subject to audit except for those elements explaining the application of the Directors' Remuneration policy for 2015, as disclosed on page 71.

Single total figure of remuneration

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

Year ended 31 December 2014	**Total salary and fees £'000**	**Taxable benefits £'000**	**Annual bonus £'000**	**Long-term incentives £'000**	**Pension related benefits £'000**	**Total £'000**
E J Boot	**355**	**30**	**402**	**116**	**71**	**974**
J T Sutcliffe	**242**	**24**	**275**	**79**	**48**	**668**
J E Brown	**60**	**—**	**—**	**—**	**—**	**60**
M I Gunston	**40**	**—**	**—**	**—**	**—**	**40**
J J Sykes	**40**	**—**	**—**	**—**	**—**	**40**
	737	**54**	**677**	**195**	**119**	**1,782**

Year ended 31 December 2013	Total salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives[1] £'000	Pension related benefits £'000	Total £'000
E J Boot	344	29	344	268	69	1,054
J T Sutcliffe	235	23	235	183	47	723
J E Brown	50	—	—	—	—	50
M I Gunston	35	—	—	—	—	35
J J Sykes	35	—	—	—	—	35
	699	52	579	451	116	1,897

1. The value of long-term incentives has been adjusted from the average share price for the period 1 October 2013 to 31 December 2013 of £1.938 to the price on the day the shares were issued of £1.964.

Taxable benefits include the provision of a company car or a cash allowance alternative, permanent health insurance and private medical insurance. The value of benefits is not pensionable. In both years the benefit related to company cars is cash allowances.

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

Total salary and fees	The amount of salary or fees received in the period.
Benefits	The taxable benefits received in the period by Executive Directors.
Annual bonus	The value of bonus payable and the calculations underlying this are disclosed on page 65.
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 2014 valued at the average share price over the last three months of 2014 and any SAYE scheme grants in the period. The LTIPS which vested in the period and the statement explaining the performance criteria which were satisfied for the LTIPS to vest are disclosed on pages 65 and 66. There were no SAYE scheme shares granted in the period. The existing awards became eligible for exercise in the year and both E J Boot and J T Sutcliffe exercised and retained 8,490 shares.
Pension related benefits	The pension figure represents the cash value of contributions received by Directors including contributions to the defined contribution scheme and any salary in lieu of pension contribution at a rate of 20% of salary.

DIRECTORS' REMUNERATION REPORT continued

Individual elements of remuneration

Base salary and fees

Executive Directors

Salary effective from	**1 January 2015 £**	1 January 2014 £
E J Boot	**365,277**	354,638
J T Sutcliffe	**249,311**	242,050

Over the years 2009 – 2013 basic salary increases for the Executive Directors were 2%, on 1 January 2014 the increase was 3%. At 1 January 2015 the increase was 3%. Average salary increases for the wider employee population were 3.23% from 1 January 2013, 3.65% from 1 January 2014 and 3.82% on 1 January 2015.

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 2015 £**	1 January 2014 £
J E Brown	**61,800**	60,000
M I Gunston	**41,200**	40,000
J J Sykes	**41,200**	40,000

Non-executive Directors are remunerated on the basis of their anticipated time commitment and the responsibilities entailed in their role. There are no service agreements in place for the Non-executive Directors and they do not participate in any of the Company's incentive arrangements or the Company pension scheme. The salaries above are inclusive of the responsibilities for Nomination, Audit and Remuneration Committees and the Senior Non-executive Director. Any newly appointed Non-executive Independent Director is expected to serve for an initial period of at least three years. Terms and conditions of appointment relating to Non-executive Directors are available for inspection at the registered office of the Company.

Bonus

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

Any bonus amounts are paid in cash and there are no malus or deferral provisions within the scheme for the year ended 31 December 2014.

Summary of bonuses earned for 2014

Measure	Maximum award as % of salary	Targets and bonus potential for 2014			Actual performance	Actual bonus value achieved (% of salary)	
		% of target	2014 target range	Bonus payable as % salary		E J Boot	J T Sutcliffe
Profit Before Tax	110%	90%	£18m	10%	£28.3m	**104.4%**	**104.4%**
		100%	£20m	50%			
		120%	£24m	90%			
		150%	£30m	110%			
Personal Objectives	10%	See commentary below				**9%**	**9%**
Bonus amount achieved as % salary						**113.4%**	**113.4%**
Bonus amount earned						**£402,159**	**£274,485**
Maximum bonus as % salary						**120%**	**120%**
Bonus amount achieved as % maximum						**94.5%**	**94.5%**

Bonuses were paid in line with the Directors' Remuneration Policy approved at the AGM in May 2014. Target profit was set at £20m, 9% ahead of that achieved in 2013 and 5% ahead of the consensus analysts' forecasts at that time. The Remuneration Committee also set 18 individual targets, which were the same for E J Boot and J T Sutcliffe. These covered financial measures such as the achievement of individual subsidiary budgets, cash flow generation and health and safety, environmental and Investors in People measures, a measure related to positive investor feedback, and litigation risk. The Remuneration Committee consider that the Directors achieved 90% of these targets resulting in a bonus of 9% of salary. The profit before tax of £28.3m exceeds the target by 41.5% and this, combined with the personal targets, gives rise to a bonus of 113.4% of salary for the year ended 31 December 2014. Though rules relating to clawback or malus do not apply to the 2014 bonus, the Remuneration Committee will introduce this into the 2015 bonus process.

Details of the policy for future annual bonus awards can be found in the policy table on page 73.

31 December 2015 bonus targets

Profit before tax performance: 10% of salary payable on 90% of Group profit target, rising to 90% of salary payable upon the achievement of 120% of Group profit target. If, in exceptional circumstances, profit targets are exceeded by more than 20%, a further bonus of 20% of salary may become payable up to 150% of target.

The profit before tax target is deemed to be commercially sensitive and therefore will be disclosed retrospectively in the 2015 Directors' Remuneration Report.

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

The objectives measured will be based on key elements of the delivery of Group strategy.

DIRECTORS' REMUNERATION REPORT continued

Long Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2012, based on performance for years 2012, 2013 and 2014, which are expected to vest in June 2015. The LTIP shares in this award are subject to the following performance criteria:

1. profit growth was 76%, which exceeded RPI growth by more than 68%. This was greater than the requirement to exceed RPI growth by 12% and therefore this 50% of the award became eligible;
2. adjusted NAV growth did not exceed the industry standard investment property annual index and therefore no part of this 50%, of the award became eligible;
3. Total Shareholder Return (TSR) compared to the comparator group showed that Henry Boot PLC TSR for the three year period was 73.6%, putting it below the median within the comparator group. Therefore, the 50% award above is reduced by 50% which gave rise to the award values in the single total figure of remuneration at 31 December 2014 on page 63.

This gave rise to LTIP awards of: E J Boot 61,598 shares; and J T Sutcliffe 42,043 shares.

LTIP awards granted in the year

	Type of award	Percentage of salary	Number of shares	Face value to grant at £2.11 per share	% of award vesting at threshold
E J Boot	LTIP – nil cost option	100%	168,074	354,636	25%
J T Sutcliffe	LTIP – nil cost option	100%	114,715	242,049	25%

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

Awards expected to be granted for the financial years 2015–2017 in 2015

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

The performance criteria for these awards are laid out in the Remuneration policy table on page 73. These are different from the performance criteria for previous awards made in 2013 as follows:

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

The detailed performance metrics for awards granted in 2014 and to be awarded in 2015 are:

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

Vesting between the 25% threshold and the maximum award will be on a pro rata basis. The weightings for each measure have been chosen because the Committee believes that they each have equal importance in aligning the interests of shareholders and the Executive Directors. In addition to the amended performance criteria calculation, the Committee reduced the amount of the award vesting at threshold from 30% to 25% from awards in 2014 onwards.

Pension entitlement

E J Boot began drawing his pension benefits from 19 November 2012 and therefore no pension contributions are made on his behalf. Instead, a salary in lieu of pension contributions at a rate of 20% of salary is paid; in 2014 this payment amounted to £70,928.

J T Sutcliffe is a member of the Henry Boot PLC Group Stakeholder Pension Plan. Contributions are made at 20% of basic salary and contributions to the Scheme in the year were £40,000 (2013: £45,834). From November 2013, the annual allowance for tax relief on pension savings applicable to J T Sutcliffe reduced to £40,000 per annum. Since that date, J T Sutcliffe has elected to receive a salary supplement in lieu of the employer contributions over and above the £40,000 limit noted above; in 2014 this payment amounted to £8,411 (2013: £1,167).

The Henry Boot PLC Group Stakeholder Pension Plan provides a lump sum death in service benefit, a refund of contributions on death in service and, on death after retirement, a pension for dependants subject to what the policyholder decides. The notional leaving work age is currently 65.

Payments to past Directors

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

Payments made for loss of office

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

Statement of Directors' shareholdings and share interests

		At 31 December 2014				
	At 31 December 2013 Legally owned	Legally owned	SAYE (not subject to performance)	LTIPS subject to performance measures	Total	**Shareholding as a % of salary at 31 December 2014[1]**
E J Boot	5,528,054	5,672,964	—	615,816	6,288,780	**3,362**
J T Sutcliffe	430,001	511,445	—	420,316	931,761	**730**
J E Brown	25,000	35,000	—	—	35,000	**111**
M I Gunston	23,000	23,000	—	—	23,000	**109**
J J Sykes	10,000	20,000	—	—	20,000	**95**

The share price at 31 December 2014 was 195.25p. The salary used for this calculation is that which commences on 1 January 2015.

[1] As laid out in the Remuneration Policy table on page 73, Executive Directors are required to acquire shares outright to the value of 100% of basic salary. We note the NAPF recommend that a holding of 200% is more appropriate. Both Executive Directors comfortably exceed this level, however, the Remuneration Committee believe that setting this level as a policy for a new director is too onerous over a period of three years. The shareholding requirement for Non-executive Directors that has been proposed in the Remuneration Policy table is that over three years they should build up to a holding which is 50% of basic remuneration.

DIRECTORS' REMUNERATION REPORT continued

Directors' shareholdings

The beneficial interest of the Directors in the share capital of the Company at 31 December 2014 was as follows:

	2014 Number of shares		2013 Number of shares	
	Ordinary	**Preference**	Ordinary	Preference
E J Boot	**5,672,964**	**14,753**	5,528,054	14,753
J T Sutcliffe	**511,445**	**—**	430,001	—
J E Brown	**35,000**	**—**	25,000	—
M I Gunston	**23,000**	**—**	23,000	—
J J Sykes	**20,000**	**—**	10,000	—

Between 31 December 2014 and 20 March 2015, being a date not more than one month prior to the date of the Notice of the AGM, there have been no changes in the beneficial and non-beneficial interests of any Director.

Long term incentive plan awards

Performance shares

	Plan	Date of award	Market price at date of award	At 1 January 2014	Awarded during the year	Vested during the year	Lapsed during the year	**At 31 December 2014**	Earliest/ actual vesting date	Market valuation on vesting £
E J Boot	2006	21/04/2011	121.5p	272,840	—	136,420	136,420	**—**	21/05/2014	267,895
	2006	01/05/2012	137.0p	246,392	—	—	—	**246,392**	31/05/2015	—
	2006	18/04/2013	171.0p	201,350	—	—	—	**201,350**	18/05/2016	—
	2006	07/05/2014	211.0p	—	168,074	—	—	**168,074**	07/06/2017	—
				720,582	168,074	136,420	136,420	**615,816**		267,895
J T Sutcliffe	2006	21/04/2011	121.5p	185,908	—	92,954	92,954	**—**	21/05/2014	182,538
	2006	01/05/2012	137.0p	168,172	—	—	—	**168,172**	31/05/2015	—
	2006	18/04/2013	171.0p	137,429	—	—	—	**137,429**	18/05/2016	—
	2006	07/05/2014	211.0p	—	114,715	—	—	**114,715**	07/06/2017	—
				491,509	114,715	92,954	92,954	**420,316**		182,538

Savings related share options

		Number of options						
	Scheme/ plan	At 1 January 2014	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2014**	Exercise price	Date from which exercisable
E J Boot	2010	8,490	—	8,490	—	**—**	106.0p	01/12/2014
J T Sutcliffe	2010	8,490	—	8,490	—	**—**	106.0p	01/12/2014

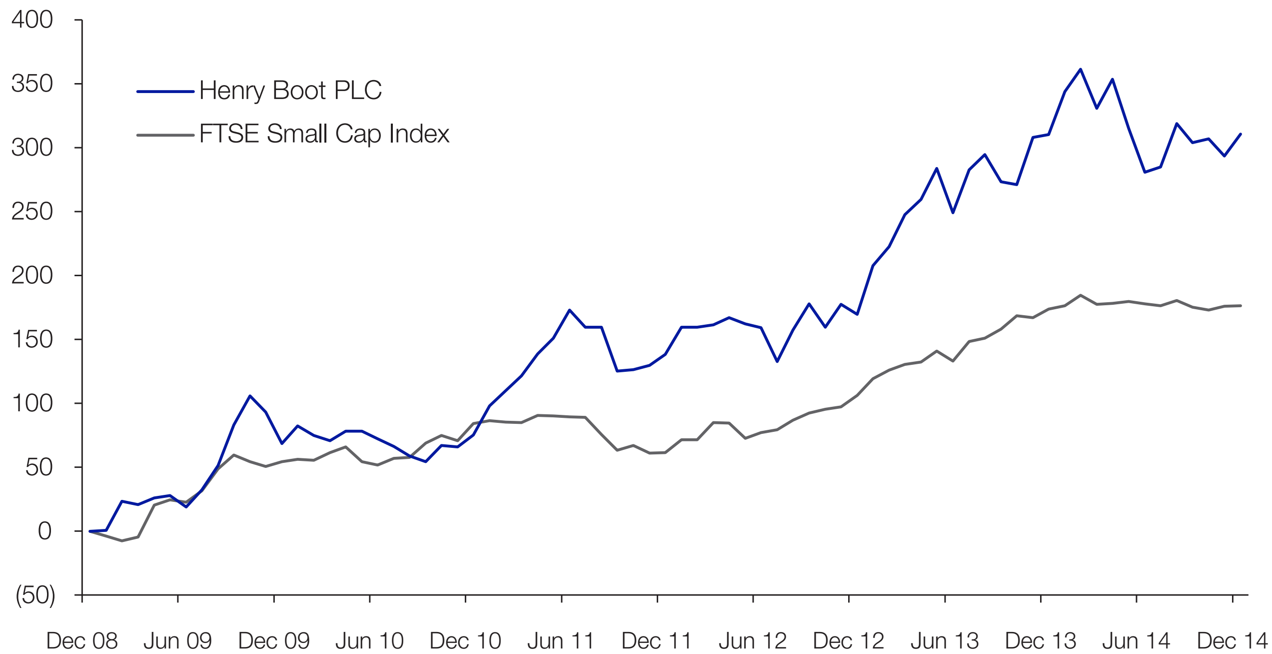
Statement of voting at the last Annual General Meeting (AGM)

The Company remains committed to shareholder dialogue and takes an active interest in voting outcomes. At the AGM on 22 May 2014 the advisory vote by shareholders to receive and approve the 2013 Directors' Remuneration Report was approved. The number of votes in favour of that resolution was 93,053,905 (98.9% of votes cast), against 942,872 (1% of votes cast) and abstentions 64,965 (0.1% of votes cast). The total number of votes cast in respect of this resolution represented 71.75% of the issued share capital. At the same AGM the Directors' Remuneration Policy was approved. The number of votes in favour of that resolution was 89,252,927 (94.89% of votes cast) against 4,729,450 (5.03% of votes cast) and abstentions 79,365 (0.08% of votes cast).

Share price

The middle market price for the Company's shares at 31 December 2014 was 195.25p and the range of prices during the year was 173.00p to 234.00p.

Six year TSR performance graph



Group Managing Director's remuneration for the previous six years

	Total remuneration £'000	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2014	**974**	**94.5**	**25**
2013	1,054	83.3	50
2012	962	58.3	40
2011	842	66.7	50
2010	764	58.3	64
2009	575	33.3	50

Percentage change in Group Managing Director's remuneration

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

Percentage change	Note	Group Managing Director	Workforce sample
Salary		3.0%	3.82%
Taxable benefits	1	—	—
Annual bonus 2013	2	42.9%	35.1%
Annual bonus 2014	2	36.1%	Not yet available

Note 1

The car allowance remained the same in both years and private medical insurance costs were also broadly the same in both years (£350) for all members of the private medical scheme. Therefore, the average percentage change in taxable benefits does not provide a meaningful comparison.

Note 2

The workforce bonuses are calculated and agreed in May 2015 for the year ended 31 December 2014 and the figure is therefore not available. Therefore, the information produced is for the bonus comparisons paid in May 2014 for the year ended 31 December 2013. The workforce comparison is every member of staff who received a bonus excluding the Group Managing Director.

DIRECTORS' REMUNERATION REPORT continued

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:

	2014 £'000	2013 £'000	% change
Ordinary dividends	**7,367**	6,666	10.5
Profit attributable to owners of the business	**21,169**	11,315	87.1
Overall expenditure on pay	**24,627**	22,640	8.8

Terms of reference

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

Role of the Committee

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

The primary role of the Committee is to:

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

Meetings during the year

The Committee met four times during the year. The fourth meeting was held in order to approve the revised terms of reference for the Committee. Attendance at these meetings by the Committee members is shown in the table on page 54 and further details can be found below.

Membership of the Committee

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

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

* Committee Chairman

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

Consideration by the Directors of matters relating to Directors' remuneration

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

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

- determining and agreeing the Remuneration Policy for the Executive Directors and their contractual conditions of employment;
- having regard for remuneration trends across all employees in the Group and other companies when setting Remuneration Policy;
- selecting, appointing and agreeing the remuneration for any remuneration consultants who advise the Committee;

- determining targets for any annual bonus and long-term incentive schemes operated by the Company and approving any payments made under such schemes;
- reviewing the design of all share incentive schemes for approval by the Board;
- determining the policy for and scope of any pension arrangements for Executive Directors; and
- ensuring that contractual terms on appointment and on termination and any payments made are fair to the individual and the Group, that failure is not rewarded and the duty to mitigate loss is fully recognised.

Advisers

The Committee's main advisers are set out below:

Adviser	Area of advice
Group Managing Director and Group HR Manager	Remuneration of staff, senior Executives and management
DLA Piper UK LLP	Share scheme matters, the rules for the 2015 LTIP Scheme. The Remuneration Committee consider that the advice DLA have given throughout the year is legal advice in compliance with relevant legislation.

Directors' remuneration policy

Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration policy, it is broadly in line with that which operated up to the end of 2014. The Committee has made some changes to give more clarity to the performance criteria for both LTIPS and annual bonus and reduced the LTIP vesting at threshold to 25% from 30%. Furthermore, the annual bonus scheme now has specific performance criteria applied to future awards rather than the discretionary criteria used up to 31 December 2013. The introduction of a new revised LTIP scheme at the 2015 AGM incorporates, for the first time, a holding period and malus and clawback conditions. These malus and clawback conditions will also apply to the operation of the annual bonus scheme for the financial year commencing on 1 January 2015.

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

Linking remuneration with strategy

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

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

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

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

DIRECTORS' REMUNERATION REPORT continued

Policy table

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Salary	Core element of the Executives' fixed remuneration reflecting the role, experience and comparable companies in the FTSE. The Committee also gives consideration to whether the basic salary is a competitive benchmark to recruit and retain executive talent.	The Committee reviews base salaries annually, taking into consideration: (i) the value of the individual to the Group, their skills, experience and performance; (ii) pay increase levels in the Group and more generally in the marketplace; and (iii) the Group organisation profitability and prevailing market conditions.	Salary increases will normally be in line with the wider Group. The Committee will consider any increase out of line with this very carefully. Higher increases may be awarded in exceptional circumstances. These could include: (i) relevant commercial factors; (ii) increasing scope and responsibility; (iii) promotional increases; and (iv) falling below market positioning.	None. However, individual performance is one of the considerations in setting salary levels.
Benefits	These are provided on a market competitive basis.	Executive Directors currently receive: (i) a car allowance; (ii) private health insurance; (iii) permanent health insurance; (iv) death in service cover; and (v) the offer of participation in the SAYE Scheme. The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practice or the operational needs of the Group.	The Committee considers that the level of benefits provided is market consistent. The cost of providing benefits is borne by the Company and varies from time to time.	None.
Pensions	Help retain and recruit Directors, ensuring an adequate retirement income.	E J Boot has had his pension in payment since late 2012 on actuarial advice. J T Sutcliffe is a member of the defined contribution scheme.	20% of basic salary. Paid either as salary in lieu or pension contributions.	None.

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Annual bonus	To incentivise the delivery of financial performance, operational targets and individual objectives.	Targets are reviewed annually and any payment is determined by the Committee after the year end based on targets set for the financial period. Bonus is paid in cash. There is no deferral of bonus; however, 2015 will see the introduction of malus and clawback provisions in line with those which apply to the LTIP scheme. The Committee has the discretion in exceptional circumstances to change performance measures and targets part-way through a performance year if there is a significant event which causes the Committee to believe the original measures and targets are no longer a fair and accurate measure of business performance.	Normal bonus opportunity 100% of salary, of which 90% on financial performance, 10% on other individual measures. Financial measure 90%–120% of target profit. Bonus at 90% of target equates to 10% of salary; at 120% of target bonus equates to 90%. For exceptional performance over 120% and up to 150% of target, a pro rata 20% of salary may be payable, capping total bonus at 120% of salary.	Challenging but achievable operational and individual targets are determined at the beginning of the financial year.
Long Term Incentive Plan	The intention of the Henry Boot Long Term Incentive Plan is to provide a clear and strong link between the remuneration of Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for achieving longer-term objectives aligned closely to shareholders' interests.	The Committee typically awards LTIP shares annually to Executive Directors equal to 100% of basic salary. Awards vest after the third anniversary of grant subject to performance conditions. For awards in 2015 awarded under the proposed new LTIP scheme, the rules introduce a holding period of two years post vesting, and malus and clawback conditions. The Committee has the discretion in exceptional circumstances to change performance measures and targets part-way through a performance year if there is a significant event which causes the Committee to believe the original measures and targets are no longer a fair and accurate measure of business performance.	The new scheme rules which will be put to the 2015 AGM permit grants of up to a maximum of 200% of salary to be made on an annual basis. The Remuneration Committee has no current intention of increasing the annual grant of 100%.	Vesting of the awards will normally occur provided that the participant is still employed by the Group at the end of the vesting period (subject to good leaver provisions) and that the performance targets for the three year performance period have been satisfied.[1] The performance criteria for awards granted in 2014 and beyond will attach equal weight to three stretching performance measures which the Committee believes align the interests of Executives and shareholders. 1. One-third of the award will depend on earnings per share growth in excess of inflation. 2. One-third of the award will depend on return on capital employed. 3. One-third will depend on Total Shareholder Return calculations. If these LTIP performance conditions are achieved, the Committee has to be satisfied that, in its opinion, the underlying financial performance of the Group over the measurement period has been satisfactory.

DIRECTORS' REMUNERATION REPORT continued

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Shareholder guidelines	The Committee believes that Executive Directors' share ownership aligns their interests to those of shareholders generally.	Executive Directors are required to have acquired and retained a shareholding of Henry Boot PLC shares to the value of 100% of their base salary. Executive Directors are expected to retain 50% of any LTIP awards until holdings reach the required level.	Not applicable.	Both Executive Directors satisfy the shareholding criteria.
Non-executive Director fees	The Board aims to recruit and retain high calibre Non-executive Directors with the relevant experience required to achieve success for the Company and its shareholders.	The fees of the Chairman are determined by the Committee and the fees of the Non-executive Directors are determined by the Board following a recommendation from both the Group Managing Director and the Chairman. Non-executive Directors are not eligible to participate in any of the Company's share schemes, incentive arrangements or pension schemes.	Non-executive Directors are paid a basic fee with additional fees for chairing Committees. By the third anniversary of their appointment to the Board, Non-executive Directors are required to have acquired and retained a holding of Henry Boot shares equivalent to the value of 50% of their base fee.	None. However, individual performance is considered on an annual basis by the Chairman and Group Managing Director.

Notes to the policy table

[1]Performance targets for shares vesting in 2016:

(i) up to 50% of the award is dependent on profit growth in excess of inflation;

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

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

Recruitment remuneration policy

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

Remuneration element	Policy on recruitment
Base salary	The Committee will typically offer a salary in line with the policy on page 72 whilst also considering the experience, ability to implement Group strategy, and the wider economic climate and pay and conditions throughout the Group, in order to facilitate the hiring of candidates of the appropriate calibre required to implement the Group's strategy.
Benefits	The Committee will offer benefits in line with the policy for existing Executive Directors; however, the Committee has the flexibility to consider other benefits from time to time including relocation expenses.
Pension	Contribution levels will be set in line with the Company policy for existing Executive Directors.
Bonus	The Committee will offer the ability to earn a bonus in line with the policy on page 73 in line with other Executive Directors.
LTIPS	The Committee will offer LTIPS in line with the policy on page 73 in line with other Executive Directors.
Buyouts	The Committee's policy on "buying out" existing incentives granted by the Executive's previous employer will depend on the process of recruitment and be negotiated on a case by case basis. The Committee may make an award in order to "buy out" previous incentives but it will only be made if it is considered necessary to attract the right candidate and there will not be a presumption in favour of doing so. The award will in any event be no larger than the award forfeited.
Internal appointees	Any remuneration awards previously granted to an internal appointee to the Board will continue on their original terms. In the same way, if that appointee is accruing benefits in the Henry Boot Defined Benefit Pension Scheme, these will continue as before on membership to the Board and will be reported on in future Remuneration policy documents.

Payment for the loss of office policy

The table below sets out the policy on exit payments.

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

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

DIRECTORS' REMUNERATION REPORT continued

Service contracts

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

Non-executive Directors, including the Chairman, do not have service contracts. All Non-executive Directors have letters of appointment and their appointment and subsequent 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.

Explanation of the performance measures chosen

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

The performance targets used to determine annual bonus reflect the key financial objectives of the Company and any award is for delivery against these measures in line with the policy on page 76.

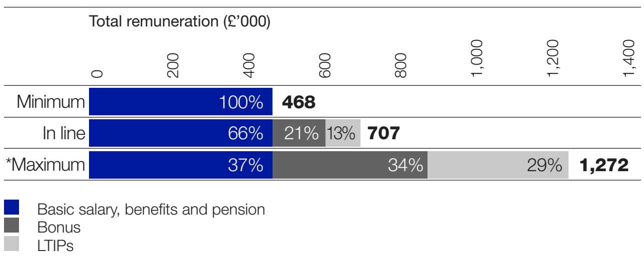
The LTIP performance targets reflect the long-term strategic objective to maximise shareholder value and therefore align the interests of the shareholders with the Executives. The LTIP measures are both financial and shareholder return based and are:

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

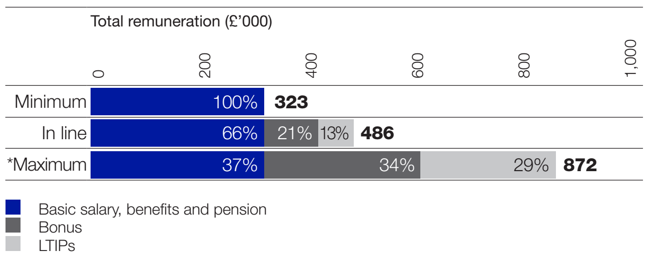
Illustration of the application of the remuneration policy

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

E J Boot



J T Sutcliffe



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

	Fixed pay	Bonus	LTIP
Minimum remuneration	Fixed pay consists of basic salary with effect from 1 January 2015. Pension at 20% of basic salary either as a pension contribution or payment in lieu. Benefits as disclosed in the single figure calculation on page 63.	Nil	Nil
Remuneration for performance in line with expectations		Assumes all personal targets are achieved (10% of salary) and profit before tax is on target (30% of salary) giving total of 40% of salary.	Achieving the base targets for the LTIP measures of EPS, ROCE and Total Shareholder Return equates to a 25% award under the LTIP Scheme (25% of salary).
Remuneration for maximum performance		Assumes all personal targets are met and profit before tax is equal to or greater than 150% of target which will give rise to a bonus of 120% of salary.	Achieving the most stretching measures under the three LTIP performance measures of EPS, ROCE and Total Shareholder Return equates to a 100% award under the LTIP Scheme (100% of salary).

Policy on external appointments

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

Differences in policy from the wider employee group

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

These are:

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

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

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

Statement of consideration of employment conditions elsewhere in the Group

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

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

Approved by the Board and signed on its behalf by

M I Gunston
Chairman of the Remuneration Committee
17 April 2015

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and the audited Financial Statements of the Group for the year ended 31 December 2014.

Strategic Report

In accordance with the Companies Act 2006, we are required to present a fair review of the Company's business along with a description of the principal risks and uncertainties faced. The Strategic Report for the year ended 31 December 2014 is set out on pages 2 to 43.

Corporate governance statement

The Disclosure and Transparency Rules require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in Governance on pages 51 to 55 and is incorporated into this Directors' Report by reference.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 92. The principal active subsidiary companies affecting the profit or net assets of the Group in the year are listed in note 35 to the Financial Statements.

The Directors recommend that a final dividend of 3.50p per ordinary share be paid on 29 May 2015 to ordinary shareholders on the register at the close of business on 1 May 2015. This, together with the interim dividend of 2.10p per ordinary share paid on 24 October 2014, will make a total dividend of 5.60p per ordinary share for the year ended 31 December 2014. Further details are disclosed in note 10 to the Financial Statements on page 109.

Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on pages 100 to 101 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in note 16, 23, 24 and 27 to the Financial Statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 2 to 43. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 30 and 37.

As highlighted in note 23 to the Financial Statements, the Company meets its day-to-day working capital requirements through a secured loan facility, which includes an overdraft facility, which was renewed with effect from 17 February 2015, with a renewal date of 17 February 2018. The facility was increased from £50m to £60m at renewal. The current economic conditions create uncertainty for all businesses over a number of risk areas. As part of their regular going concern review, the Directors specifically address all the risk areas that they consider material to the assessment of going concern. The report arising from these discussions is made available to the auditors and the conclusion is that the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Political donations

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

Directors and their interests

J E Brown, E J Boot, J T Sutcliffe, M I Gunston and J J Sykes held office as Directors throughout 2014 and up to the date of signing the Financial Statements. Their biographical details are shown on page 46 and 47.

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

The interests of Directors in the share capital of the Company, other than with respect to options to acquire ordinary shares, are disclosed in the Directors' Remuneration Report on pages 67 and 68.

Between 31 December 2014 and 20 March 2015, being a date not more than one month prior to the date of the Notice of the AGM, there have been no changes in the beneficial and non-beneficial interests of any Director.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on page 66.

Directors' indemnity

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

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

In addition, subject to the provisions of and to the extent permitted by relevant statutes, under the Articles of Association of the Company, the Directors and other officers throughout the year, and at the date of approval of these Financial Statements, were indemnified out of the assets of the Company against liabilities incurred by them in the course of carrying out their duties or the exercise of their powers.

Pension fund trustees

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

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

Employees

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

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

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

Employee engagement

The Group regularly provides its employees with information on matters of concern to them; we consult with our employees and/or their representatives in order to ensure that their views can be taken into account when making decisions. We utilise our intranet site to disseminate information and engage with our employees via manager briefings. We were proud for the Company and our employees that our Investors in People accreditation was reconfirmed in January 2015.

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

Health and safety

The health and safety of our employees and others is paramount. Further information on our approach to health and safety is provided in the Corporate Responsibility Report on page 22.

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions, as required to be disclosed under regulations introduced by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are contained in the Corporate Responsibility Report forming part of the Strategic Report on page 26 and 27.

Substantial interests in voting rights

Excluding Directors, at the end of the financial year and a date not more than one month prior to the date of the Notice of the AGM, the information in the table below had been disclosed to the Company in accordance with the requirements in the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Conduct Authority.

	Number	Voting rights over ordinary shares % of issued
Rysaffe Nominees and J J Sykes (joint holding)	21,407,155	16.219
FMR Corp*	6,550,000	4.962
Schroders plc*	6,452,536	4.889
The Fulmer Charitable Trust	5,739,580	4.348
Standard Life Investments Limited**	6,692,481	5.070

* Notified as indirect voting rights.

** Last notified as 4,603,609 (3.488% of issued) direct voting rights and 2,088,872 (1.582% of issued) indirect voting rights.

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

Shares held by the Henry Boot PLC Employee Trust

The Company has an established Employee Trust (the Trust) for the benefit of Group employees to satisfy existing grants by the company under various share-based payment arrangements. Details of the Company's share-based payment arrangements are provided in note 30 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors are J E Brown, J T Sutcliffe and R A Deards, exercises the voting rights in relation to shares held as it, in its absolute discretion, thinks fit, but having regard to the interests of the beneficiaries. Further details are provided in note 33 to the Financial Statements.

DIRECTORS' REPORT continued

Future developments

Important events since the financial year end and future developments are described in the Strategic Report on pages 2 to 43.

Additional shareholder information

The additional information for shareholders required pursuant to the relevant legislation which implemented the Takeovers Directive, together with certain other statutory information, is disclosed in this report and in the Shareholder Information section on pages 140 to the inside back cover.

Statement of disclosure of information to auditors

The Directors of the Company who held office at the date of approval of this Annual Report each confirm that:

- so far as they are aware, there is no relevant audit information (information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have signified their willingness to remain in office and resolutions reappointing them as auditors (Resolution 10) and authorising the Directors to fix their remuneration (Resolution 11) will be proposed at the AGM.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 81. The Independent Auditors' Report is given on page 84 to 91.

Annual General Meeting (AGM)

The AGM of the Company will be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 21 May 2015 at 12.30pm. The notice convening the meeting can be found on pages 144 to 154. It is also available at www.henryboot.co.uk, where a copy can be viewed and downloaded.

Amongst other matters, shareholder approval is sought in respect of Resolutions 12 and 13 relating to the adoption of the Henry Boot PLC Long Term Incentive Plan 2015 (LTIP) and the amendment of the Henry Boot PLC 2010 Schedule 4 Company Share Option Plan (CSOP).

Approved by the Board and signed on its behalf by

R A Deards
Company Secretary
17 April 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

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

Each of the Directors, whose names and functions are listed on pages 46 and 47 confirm that, to the best of their knowledge:

- the Group Financial Statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report and Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Approved by the Board and signed on its behalf by

E J Boot
Director
17 April 2015

J T Sutcliffe
Director
17 April 2015

CREATING VALUE...
THROUGH STRONG FINANCIAL MANAGEMENT

03

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

to the members of Henry Boot PLC

Report on the financial statements

Our opinion

In our opinion:

- Henry Boot PLC's Group Financial Statements and Parent Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

What we have audited

Henry Boot PLC's Financial Statements comprise:

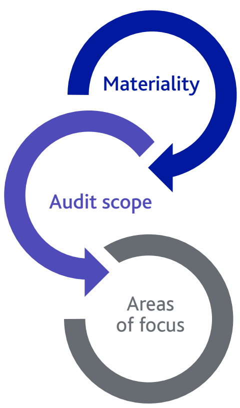
- the Statements of financial position as at 31 December 2014;
- the Consolidated statement of comprehensive income for the year then ended;
- the Statements of cash flows for the year then ended;
- the Statements of changes in equity for the year then ended;
- the Principal accounting policies; and
- the notes to the Financial Statements, which include other explanatory information.

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

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

Our audit approach

Overview



- Overall Group materiality: £2,000,000 which represents 0.6% of total assets.

- 38 reporting units are consolidated in the Group Financial Statements.
- 5 reporting units were subject to a full scope audit.
- 7 further reporting units were subject to targeted procedures over their investment property portfolios.
- 1 reporting unit was subject to targeted procedures over its property, plant and equipment.
- The reporting units where we performed audit work accounted for 85% of total assets.

- Valuation of investment properties.
- Accuracy and valuation of construction contract balances.
- Valuation of land and planning costs held within inventory.
- Fraud in revenue recognition.
- Completeness and accuracy of provisions on significant land transactions.
- Valuation of pension scheme liability.

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Valuation of investment properties (£141.6m) **(Refer to note 13 of the Financial Statements)** We focused on this area because the Group’s investment property assets represent a significant proportion of the assets in the Group statement of financial position. The Group’s portfolio includes properties at varying stages of completion across various sectors, including mixed-use, industrial and retail. Property valuations are subject to a high degree of judgement as they are calculated from a number of different assumptions specific to each individual property or development site. These include actual and estimated rental values, yields, costs to complete and land values per acre. The Group engages Jones Lang LaSalle to value its completed investment properties in all but the residential sector. The properties valued by Jones Lang LaSalle are valued by applying market-derived capitalisation yields to actual or market-derived rental income specific to each property. Residential properties are valued by management using publicly available data on recent comparable property sales, where necessary after applying a discount to reflect the lower than market rent receivable on some of the Group’s properties. Investment properties in the course of construction are valued by management using the residual method of valuation. This involves estimating the gross development value of the property and deducting from this the gross development costs to be incurred and an allowance for anticipated development profits yet to be earned. For all classes of investment property, a relatively small percentage change in valuations of individual properties, in aggregate, could result in a material impact to the Financial Statements.	Regarding the completed investment properties valued by the external valuer: We tested the information regarding existing lettings that was supplied to the external valuer by agreeing a sample of this data to the underlying records that we tested as part of our audit of rental revenue. This included agreeing rents and other significant contract terms to legal agreements. For each property, we compared the changes in the yields and capital values since the prior year to an expectation based upon industry-specific indices. We also considered the movements in the assumptions in the light of our existing understanding of the Group’s portfolio and activities in the year. As a result we identified certain properties where we felt the movements in the yields or capital values warranted further discussion. We held a meeting with management and their external valuers at which we challenged the assumptions used in these valuations by reference to externally published benchmarks. We corroborated the explanations received by reference to the results of our audit procedures in other areas such as rental revenue testing, and by further review of legal documentation and correspondence where necessary. Regarding the remaining properties valued by management: We selected a sample of valuations for testing based on value. We reperformed the calculations provided by management, for which the significant assumptions were expected rental values, forecast yields and costs to complete. We corroborated these assumptions by reference to legal agreements, published indices, subcontractor quotes and completion statements. No material adjustments were identified as a result of our testing over the valuations of both completed investment properties and those under construction.

INDEPENDENT AUDITORS' REPORT continued

to the members of Henry Boot PLC

Area of focus	How our audit addressed the area of focus
Accuracy and valuation of construction contract balances (Refer to note 19 of the Financial Statements) We focused on this area because of the judgements involved in estimating the stage of completion of construction contract activity and assessing costs to complete. This in turn means the assessment of anticipated profits or losses on individual contracts is judgemental. The Group undertakes a number of significant construction contracts and a relatively small change in the judgements applied, such as whether a provision for remedial works is required based on an assessment of risk and magnitude relating to the identified issue, could result in a material misstatement to the Financial Statements.	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 concluded that it was reasonable. Our work included holding discussions with in-house quantity surveyors, agreeing to legal documentation and reviewing cost to complete schedules for reasonableness, primarily by looking at the track record in previous years. 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 appropriately qualified individuals, correspondence with any claimants and testing the outturn on similar amounts previously provided for, and found no material issues. We also challenged management's overall profit recognition methodology, including a sample assessment of the accuracy of revenue and profit forecasts from prior years. This highlighted that management's forecasting ability was reasonable.
Valuation of land and planning costs held within inventory (£99.6m) (Refer to note 18 of the Financial Statements) We focused on this area because these elements of inventory represent a significant proportion of the assets in the statement of financial position, and determining the appropriate carrying value of individual sites is subject to a degree of judgement. This applies to owned land, options to purchase land and planning promotion agreements. Inventory is held at the lower of cost and net realisable value. "Cost" includes all the direct costs incurred in bringing the individual sites to their present condition; it therefore encompasses planning and feasibility costs in addition to initial acquisition costs. An assessment of the carrying value of individual sites is determined by their viability for development by a third party. The extent of any impairment depends upon a number of factors such as the current status of any planning application or appeal, the estimated costs to complete and the estimated resale value of each particular site. The Group carries a high volume of such sites within inventory and a change in the judgements applied by management could result in a material misstatement to the Financial Statements.	We tested management's assessment that the carrying value of inventories stated at the lower of cost and net realisable value by selecting a cross-section of sites for detailed testing. Our sample included sites with a high carrying value and sites perceived to be at increased risk of impairment due to impairments in previous years. Our sample incorporated land for which the Group holds legal title and sites at which costs had been capitalised under option and agency agreements, as the risk of impairment is similar across all three categories. We discussed with management the valuation of each site selected for testing and corroborated the explanations received by agreeing to supporting documentation, for example development appraisals, title deeds and the status of planning applications. We also evaluated management's historic forecasting accuracy by reviewing land sales made during the current year and previous years, confirming whether these were sold at values in excess of their carrying value at the point of sale. Our testing did not identify any material misstatements.

Area of focus	How our audit addressed the area of focus
Fraud in revenue recognition We focused on this area because typical property, land and construction transactions are of a high value and low volume, with each being agreed on individual terms. The judgement involved in interpreting these terms gives rise to a risk that revenue may not be accurately recorded.	In respect of land and property sales recorded in the period, we selected samples across the Group and agreed details such as the sales price and key terms and conditions to legal completion documents. This enabled us to verify the point at which legal title to property should pass to the purchaser and check that revenue had been accurately recorded. No material adjustments were identified as a result of this work. In respect of construction contracts, we used computer assisted audit techniques to verify the occurrence of all revenue billed during the year. We then tested a sample of revenue that had been recognised against the analysis of the position of each contract that management maintains and any relevant terms within customer agreements. We also checked customer acceptance of the work undertaken, considering the implications of any ongoing disputes, and tested management's estimates of costs to complete contracts. Across the Group we also tested manual journal entries posted to revenue accounts to identify and challenge unusual or irregular items by agreeing to source documentation to confirm their appropriateness. Our testing focused upon high value journals and journals with no obvious business rationale. Our testing did not identify any evidence of potentially fraudulent journal activity.
Completeness and accuracy of land development provision (£8.3m) (Refer to note 26 of the Financial Statements) In certain limited circumstances, the Group retains obligations to provide infrastructure and service works in relation to land that it has previously sold. The estimation of the cost of meeting these obligations and of the likely timing of the works is subject to some uncertainty as the sites affected are very large and the associated works take place over a number of years.	We considered the historic accuracy of the Group's forecast costs to complete by comparing these forecasts with actual costs incurred to date. In addition, we reconciled the movement in the provision between December 2013 and December 2014 and discussed the largest movements by value with management to ensure we understood the rationale for them. We corroborated the explanations received by reference to external correspondence. We selected a sample of actual infrastructure costs incurred in the year and agreed them to supplier invoice or completion certificate. We considered the narrative on the supporting documentation reviewed in each case to establish whether the cost had been allocated against the correct element of the brought forward provision (and therefore whether it was correct that the provision had reduced). We tested the costs to complete included in the provision by agreeing to projections from management's external cost consultants. This also included agreeing the estimated timing of cash flows to these same projections. No material adjustments were identified as a result of the procedures we performed in this area.

INDEPENDENT AUDITORS' REPORT continued

to the members of Henry Boot PLC

Area of focus	How our audit addressed the area of focus
Valuation of pension scheme liability (£28.2m) (Refer to note 27 of the Financial Statements) The Group has a defined benefit pension scheme net liability which is significant in the context of both the overall balance sheet and the results of the Group. The Group uses an independent actuary to value the pension scheme under IAS 19. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including salaries increase, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. The values of the pension scheme's investments at 31 December 2014 are provided by the scheme's investment managers.	We obtained the actuary's report and agreed the discount and inflation rates used in the valuation of the pension liability to our internally developed benchmarks, which are based on externally available data. We confirmed that these assumptions were within our expected range. We compared the demographic assumptions to national and industry averages and were satisfied that these were reasonable. We also compared the assumptions with those used in previous years, and found that the methodology used in arriving at the assumptions year on year was consistent. We obtained direct confirmation of the year end asset valuations from the scheme's investment managers, and verified that the correct valuation had been used by management.

How we tailored the audit scope

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

The Group is structured along three business lines being Property Investment and Development, Land Development and Construction. The Group Financial Statements are a consolidation of the 38 reporting units within these three business lines and the Group's centralised functions.

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

Accordingly, of the Group's 38 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 were performed at a further seven reporting units in respect of their investment property portfolios, and at one reporting unit in respect of its property plant and equipment. This, together with additional procedures performed on the Group's centralised functions, gave us the evidence we needed for our opinion on the Group Financial Statements as a whole. All work was performed by the Group audit team, no component auditors were involved. The reporting units where we performed audit work accounted for 85% of total assets.

Materiality

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

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

Overall Group materiality	£2,000,000 (2013: £1,500,000).
How we determined it	0.6% of total assets.
Rationale for benchmark applied	The key objective of the Group is to increase long-term shareholder value by maximising the value of assets such as inventory and investment properties. In determining the benchmark we also had regard to the profitability of the Group to ensure that sufficient consideration was given to trading activities. This methodology is consistent with that applied in the prior year.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000 (2013: £75,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 78, in relation to going concern. We have nothing to report having performed our review.

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

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

INDEPENDENT AUDITORS' REPORT continued

to the members of Henry Boot PLC

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• Information in the Annual Report is: — materially inconsistent with the information in the audited Financial Statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or — otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the Directors on page 81, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Parent Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on page 58, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

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

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 81, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of Financial Statements involves

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

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

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
17 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Revenue	1	**147,200**	153,794
Cost of sales		**(103,512)**	(115,971)
Gross profit		**43,688**	37,823
Other income	1	**283**	30
Administrative expenses		**(15,153)**	(13,936)
Pension expenses	4	**(3,213)**	(3,632)
		25,605	20,285
Increase/(decrease) in fair value of investment properties	13	**1,950**	(1,563)
Profit on sale of investment properties		**284**	304
Profit on sale of assets held for sale		**122**	—
Operating profit	3	**27,961**	19,026
Finance income	5	**714**	694
Finance costs	6	**(1,550)**	(1,526)
Share of profit of joint ventures	15	**1,187**	183
Profit before tax		**28,312**	18,377
Tax	7	**(4,810)**	(5,143)
Profit for the year from continuing operations		**23,502**	13,234
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:			
Deferred tax on property revaluations	17	**—**	84
Actuarial (loss)/gain on defined benefit pension scheme	27	**(10,458)**	8,537
Deferred tax on actuarial loss/(gain)	17	**2,092**	(2,447)
Movement in fair value of cash flow hedge	25	**85**	151
Deferred tax on cash flow hedge	17	**(17)**	(38)
Total other comprehensive (expense)/income not being reclassified to profit or loss in subsequent years		**(8,298)**	6,287
Total comprehensive income for the year		**15,204**	19,521
Profit for the year attributable to:			
Owners of the Parent Company		**21,169**	11,315
Non-controlling interests		**2,333**	1,919
		23,502	13,234
Total comprehensive income attributable to:			
Owners of the Parent Company		**12,845**	17,558
Non-controlling interests		**2,359**	1,963
		15,204	19,521
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**16.2p**	8.6p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**15.9p**	8.5p

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2014

		Group		Parent Company	
	Note	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Assets					
Non-current assets					
Intangible assets	11	**6,733**	7,994	**—**	—
Property, plant and equipment	12	**19,086**	17,354	**137**	94
Investment properties	13	**141,560**	132,394	**—**	—
Investments	14	**—**	—	**3,809**	3,369
Investment in joint ventures	15	**1,367**	180	**—**	—
Trade and other receivables	16	**4,837**	12,686	**—**	—
Deferred tax assets	17	**7,123**	5,411	**5,919**	4,445
		180,706	176,019	**9,865**	7,908
Current assets					
Inventories	18	**117,457**	91,013	**—**	—
Trade and other receivables	16	**50,065**	43,103	**194,202**	189,413
Cash and cash equivalents		**4,347**	15,587	**1,917**	12,619
		171,869	149,703	**196,119**	202,032
Assets classified as held for sale	20	**260**	10,511	**—**	—
		172,129	160,214	**196,119**	202,032
Liabilities					
Current liabilities					
Trade and other payables	21	**68,833**	50,171	**82,218**	72,173
Current tax liabilities		**1,976**	2,505	**1,100**	1,581
Borrowings	24	**31,969**	46,492	**30,642**	45,739
Provisions	26	**4,322**	7,147	**—**	—
		107,100	106,315	**113,960**	119,493
Net Current Assets		**65,029**	53,899	**82,159**	82,539
Non-current liabilities					
Trade and other payables	21	**3,139**	4,840	**—**	—
Borrowings	24	**8,779**	5,207	**—**	—
Retirement benefit obligations	27	**28,158**	20,075	**28,158**	20,075
Provisions	26	**5,185**	6,312	**—**	—
		45,261	36,434	**28,158**	20,075
Net Assets		**200,474**	193,484	**63,866**	70,372
Equity					
Share capital	30	**13,592**	13,510	**13,592**	13,510
Property revaluation reserve	31	**3,355**	3,355	**—**	—
Retained earnings	31	**177,664**	171,938	**45,256**	52,299
Other reserves	31	**4,425**	3,566	**5,568**	4,751
Cost of shares held by ESOP trust	32	**(550)**	(188)	**(550)**	(188)
Equity attributable to owners of the Parent Company		**198,486**	192,181	**63,866**	70,372
Non-controlling interests		**1,988**	1,303	**—**	—
Total Equity		**200,474**	193,484	**63,866**	70,372

The Financial Statements on pages 92 to 137 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 17 April 2015.

On behalf of the Board

E J Boot Director

J T Sutcliffe Director

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2014

		Attributable to owners of the Parent Company							
Group	Note	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2013		13,510	3,271	160,692	3,497	(444)	180,526	1,377	181,903
Profit for the year	31	—	—	11,315	—	—	11,315	1,919	13,234
Other comprehensive income		—	84	6,090	69	—	6,243	44	6,287
Total comprehensive income		—	84	17,405	69	—	17,558	1,963	19,521
Equity dividends	10	—	—	(6,358)	—	—	(6,358)	(2,037)	(8,395)
Proceeds on disposal of treasury shares	32	—	—	—	—	26	26	—	26
Share-based payments	31, 32	—	—	199	—	230	429	—	429
		—	—	(6,159)	—	256	(5,903)	(2,037)	(7,940)
At 31 December 2013		13,510	3,355	171,938	3,566	(188)	192,181	1,303	193,484
Profit for the year	31	**—**	**—**	**21,169**	**—**	**—**	**21,169**	**2,333**	**23,502**
Other comprehensive income		**—**	**—**	**(8,366)**	**42**	**—**	**(8,324)**	**26**	**(8,298)**
Total comprehensive income		**—**	**—**	**12,803**	**42**	**—**	**12,845**	**2,359**	**15,204**
Equity dividends	10	**—**	**—**	**(6,886)**	**—**	**—**	**(6,886)**	**(1,674)**	**(8,560)**
Proceeds from shares issued		**82**	**—**	**—**	**817**	**—**	**899**	**—**	**899**
Proceeds on disposal of treasury shares	32	**—**	**—**	**—**	**—**	**34**	**34**	**—**	**34**
Purchase of treasury shares	32	**—**	**—**	**—**	**—**	**(1,010)**	**(1,010)**	**—**	**(1,010)**
Share-based payments	31, 32	**—**	**—**	**(191)**	**—**	**614**	**423**	**—**	**423**
		82	**—**	**(7,077)**	**817**	**(362)**	**(6,540)**	**(1,674)**	**(8,214)**
At 31 December 2014		**13,592**	**3,355**	**177,664**	**4,425**	**(550)**	**198,486**	**1,988**	**200,474**

Parent Company	Note	Share capital £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total equity £'000
At 1 January 2013		13,510	41,153	4,751	(444)	58,970
Profit for the year	8	—	11,342	—	—	11,342
Other comprehensive expense		—	6,090	—	—	6,090
Total comprehensive expense		—	17,432	—	—	17,432
Equity dividends	10	—	(6,358)	—	—	(6,358)
Proceeds on disposal of treasury shares	32	—	—	—	26	26
Share-based payments	31	—	72	—	230	302
		—	(6,286)	—	256	(6,030)
At 31 December 2013		13,510	52,299	4,751	(188)	70,372
Profit for the year	8	**—**	**8,541**	**—**	**—**	**8,541**
Other comprehensive income		**—**	**(8,366)**	**—**	**—**	**(8,366)**
Total comprehensive income		**—**	**175**	**—**	**—**	**175**
Equity dividends	10	**—**	**(6,886)**	**—**	**—**	**(6,886)**
Proceeds from shares issued		**82**	**—**	**817**	**—**	**899**
Proceeds on disposal of treasury shares	32	**—**	**—**	**—**	**34**	**34**
Purchase of treasury shares	32	**—**	**—**	**—**	**(1,010)**	**(1,010)**
Share-based payments	31	**—**	**(332)**	**—**	**614**	**282**
		82	**(7,218)**	**817**	**(362)**	**(6,681)**
At 31 December 2014		**13,592**	**45,256**	**5,568**	**(550)**	**63,866**

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2014

		Group		Parent Company	
	Note	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Cash flows from operating activities					
Cash generated from/(used by) operations	33	**14,857**	1,544	**2,527**	(19,261)
Interest paid		**(1,172)**	(1,152)	**(3,437)**	(3,695)
Tax paid		**(4,975)**	(1,984)	**(3,502)**	(495)
Net cash flows from operating activities		**8,710**	(1,592)	**(4,412)**	(23,451)
Cash flows from investing activities					
Purchase of intangible assets	11	**(97)**	(186)	**—**	—
Purchase of property, plant and equipment	12	**(1,704)**	(793)	**(96)**	(58)
Purchase of investment property	13	**(15,649)**	(6,417)	**—**	—
Purchase of investments in subsidiaries	14	**—**	—	**—**	(10,000)
Proceeds on disposal of property, plant and equipment		**222**	153	**11**	11
Proceeds on disposal of investment properties		**4,362**	2,219	**—**	—
Proceeds on disposal of assets held for sale		**12,233**	450	**—**	—
Dividends received from joint ventures	15	**—**	25	**—**	—
Interest received		**336**	290	**8,055**	8,457
Dividends received from subsidiaries		**—**	—	**7,800**	16,844
Net cash flows from investing activities		**(297)**	(4,259)	**15,770**	15,254
Cash flows from financing activities					
Proceeds from shares issued		**899**	—	**899**	—
Purchase of treasury shares	32	**(1,010)**	—	**(1,010)**	—
Proceeds on disposal of treasury shares		**34**	26	**34**	26
Decrease in borrowings		**(40,564)**	(12,937)	**(39,000)**	(10,000)
Increase in borrowings		**29,548**	39,326	**24,000**	37,000
Dividends paid – ordinary shares	10	**(6,865)**	(6,337)	**(6,865)**	(6,337)
– non-controlling interests		**(1,674)**	(2,037)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**(19,653)**	18,020	**(21,963)**	20,668
Net (decrease)/increase in cash and cash equivalents		**(11,240)**	12,169	**(10,605)**	12,471
Net cash and cash equivalents at beginning of year		**15,587**	3,418	**11,880**	(591)
Net cash and cash equivalents at end of year		**4,347**	15,587	**1,275**	11,880
Analysis of net debt:					
Cash and cash equivalents		**4,347**	15,587	**1,917**	12,619
Bank overdrafts		**—**	—	**(642)**	(739)
Net cash and cash equivalents		**4,347**	15,587	**1,275**	11,880
Bank loans	24	**(33,096)**	(48,746)	**(30,000)**	(45,000)
Government loans	24	**(7,652)**	(2,953)	**—**	—
Net debt		**(36,401)**	(36,112)	**(28,725)**	(33,120)

PRINCIPAL ACCOUNTING POLICIES

for the year ended 31 December 2014

The principal Accounting Policies adopted in the preparation of the Group's IFRS Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The Company is a public limited company, listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office is Banner Cross Hall, Ecclesall Road South, Sheffield, United Kingdom S11 9PD.

Basis of preparation and statement of compliance

The Consolidated Financial Statements have been prepared in accordance with IFRS adopted by the EU, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and therefore complies with Article 4 of the EU IAS regulations. They have been prepared on the historical cost basis, except for financial instruments, investment properties and Group occupied land and buildings, which are measured at fair value.

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

Consolidation

The Consolidated Financial Statements are a consolidation of the Financial Statements of the Parent Company and all entities controlled by the Company (its subsidiaries) made up to 31 December each year. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Non-controlling interests in the fair value of the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Going concern

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Directors' Report on page 78.

Joint ventures

Joint ventures are all entities in which the Group has shared control with another entity, established by contractual agreement. Jointly controlled entities are accounted for using the equity method from the date that the jointly controlled entity commences until the date that the joint control of the entity ceases. The Group's share of profits or losses is recognised in the Consolidated Statement of Comprehensive Income. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recoverable or there are further commitments to provide funding. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the joint ventures are consistent with those of the Group.

Business combinations and goodwill

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

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Subsequent changes in fair value of contingent consideration classified as an asset or liability are accounted for in accordance with IAS 39.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition related costs are recognised in the Consolidated Statement of Comprehensive Income as incurred.

Goodwill arising on consolidation of subsidiary undertakings is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is subjected to an impairment test at the reporting date or when there has been an indication that the goodwill should be impaired, any loss is recognised immediately through the Statement of Comprehensive Income and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which goodwill arose.

Assets classified as held for sale

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

Revenue recognition

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

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

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

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

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

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

Construction contracts

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

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

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

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

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

Operating segments

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

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

PRINCIPAL ACCOUNTING POLICIES continued

for the year ended 31 December 2014

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

- Property Investment and Development, inclusive of property investment and development and trading activities;
- Land Development, inclusive of land management, development and trading activities; and
- Construction, inclusive of its PFI company, plant hire and regeneration activities.

Whilst the following is not a reportable segment, information about it is considered by the Board in conjunction with the reportable segments:

- Group overheads, comprising central services, pensions, head office administration, in-house leasing and other mainly 'not for profit' activities.

Investment property

Investment properties are those properties which are not occupied by the Group and which are held for long-term rental yields, capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment property.

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

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

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

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

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

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

Property, plant and equipment

Group occupied properties are stated in the Statement of Financial Position at their revalued amounts, being the fair value, based on market values, less any subsequent accumulated depreciation or subsequent accumulated impairment loss. Fair value is determined annually by independent valuers. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the Statement of Comprehensive Income.

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

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

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

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

Intangible assets excluding goodwill

Intangible assets are stated at cost less accumulated amortisation and impairment. The PFI asset represents the capitalised cost of the initial project, together with the capitalised cost of any additional major works to the road and structures, which are then amortised, on a straight line basis, over 20 years or the remaining life of the concession. The concession lasts a period of 30 years and has a further eleven years to run.

Leasing
Where the Group acts as a lessee in the case of operating leases, rentals payable are recognised on a straight line basis over the term of the relevant lease.

Inventories
Inventories are stated at the lower of cost and estimated net realisable value and are subject to regular impairment reviews.

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

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

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

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

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

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

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

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

Share-based payments
Equity-settled share-based payments to employees of the Company and its subsidiary undertakings are measured at fair value of the equity instruments at the date of grant and are expensed on a straight line basis over the vesting period. Fair value is measured by a Monte Carlo pricing model taking in to account any market performance conditions and excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based

PRINCIPAL ACCOUNTING POLICIES continued

for the year ended 31 December 2014

transactions are set out in note 30. At each reporting period date, the Group estimates the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity reserves.

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

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

Tax

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

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

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

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

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

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

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

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

Dividends

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

Share capital

Ordinary share capital is classified as equity. Preference share capital is classified as equity as it is non-redeemable or is redeemable only at the Company's option and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Financial instruments

The Group retains such financial instruments as are required, together with retained earnings, in order to finance the Group's operations.

Financial assets or financial liabilities are recognised by the Group in the Statement of Financial Position only when the Group becomes a party to the contractual provisions of the instrument.

The principal financial instruments are:

- trade and other receivables which are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost using the effective interest rate method (see Interest income and expense on page 102). Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Should an amount previously written off prove recoverable the amount written off is reversed through the Statement of Comprehensive Income to the extent that the amount written back does not exceed the amortised cost had the write-off not been recognised;
- cash and cash equivalents, which comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value with an original maturity of three months or less;

- trade and other payables which are on normal credit terms, are not interest bearing and are stated at their nominal values. Where the time value of money is material, payables are carried at amortised cost using the effective interest rate method (see Interest income and expense on page 102);
- borrowings: see below; and
- derivatives: see below.

Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Derivatives and hedging

Derivative financial instruments such as interest rate swaps are occasionally entered into in order to manage interest rate risks arising from long-term debt. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation with an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

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

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

PRINCIPAL ACCOUNTING POLICIES continued
for the year ended 31 December 2014

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

The 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, are taken into account in the Financial Statements.

Specific details of the Group's provisions relating to land development and road maintenance can be found in note 26 on page 127.

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

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

Government grants
Government grants are recognised at their fair value in the Statement of Financial Position, within deferred income, where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

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

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

Judgements and key assumptions
The critical judgements in applying the Group's Accounting Policies and that have the most significant effect on the amounts recognised in the Financial Statements, apart from those involving estimations (see below), relate to revenue recognition, construction contracts and inventories. All of these are referred to on pages 97 and 99 and each is interpreted by management in the light of IAS 18 'Revenue', IAS 11 'Construction Contracts' and IAS 2 'Inventories'.

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

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

Impact of accounting standards and interpretations

At the date of authorisation of these Financial Statements, the following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2014:

		Effective from
IAS 27 (issued 2011)	'Separate Financial Statements'	1 January 2013#
IAS 28 (issued 2011)	'Investments in Associates and Joint Ventures'	1 January 2013#
IAS 32 (amended 2011)	'Offsetting Financial Assets and Financial Liabilities'	1 January 2014
IAS 36 (amended 2013)	'Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014
IAS 39 (amended 2013)	'Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014
IFRS 10 (issued 2011)	'Consolidated Financial Statements'	1 January 2013#
IFRS 10, IFRS 11 and IFRS 12 (amended 2012)	'Transition Guidance'	1 January 2013#
IFRS 10, IFRS 12 and IAS 27 (amended 2012)	'Investment Entities'	1 January 2014
IFRS 11 (issued 2011)	'Joint Arrangements'	1 January 2013#
IFRS 12 (issued 2011)	'Disclosures of Interests in Other Entities'	1 January 2013#
IFRIC 21 (interpretation 2013)	'Levies'	1 January 2014

Mandatory from 1 January 2014.

The adoption of these standards and interpretations has not had a significant impact on the Group.

The Group did not early adopt any standard or interpretation not yet mandatory.

At the date of the authorisation of these Financial Statements, the following standards, amendments and interpretations were in issue but not yet effective:

		Effective from
Annual improvements (issued 2013)	'Annual Improvements to IFRSs 2010–2012 Cycle'	1 July 2014
Annual improvements (issued 2013)	'Annual Improvements to IFRSs 2011–2013 Cycle'	1 July 2014
Annual improvements (issued 2014)	'Annual Improvements to IFRSs 2012–2014 Cycle'	1 January 2016*
IAS 1 (amended 2014)	'Disclosure Initiative'	1 January 2016*
IAS 16 and IAS 38 (amended 2014)	'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016*
IAS 16 and IAS 41 (amended 2014)	'Bearer Plants'	1 January 2016*
IAS 19 (amended 2013)	'Defined Benefit Plans: Employee Contributions'	1 July 2014
IAS 27 (amended 2014)	'Equity Method in Separate Financial Statements'	1 January 2016*
IFRS 9 (issued 2014)	'Financial Instruments'	1 January 2018*
IFRS 10, IFRS 12 and IAS 28 (amended 2014)	'Investment Entities: Applying the Consolidation Exception'	1 January 2016*
IFRS 10 and IAS 28 (amended 2014)	'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016*
IFRS 11 (amended 2014)	'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016*
IFRS 14 (issued 2014)	'Regulatory Deferral Accounts'	1 January 2016*
IFRS 15 (issued 2014)	'Revenue from Contracts with Customers'	1 January 2017*

* Not yet endorsed by the EU.

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

In 2014, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2014

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

Activity in the United Kingdom	2014 £'000	2013 £'000
Revenue from construction contracts	**65,819**	60,217
Property development	**11,736**	26,911
Land development	**38,894**	37,525
PFI concession income	**11,306**	11,125
Plant and equipment hire	**11,281**	10,233
Investment property rental income	**8,026**	7,653
Other rental income	**138**	130
	147,200	153,794
Other income	**283**	30
	147,483	153,824

Contingent rents recognised as income during the year amount to £498,000 (2013: £294,000).

Other income relates to payments received under a debt agreement with the Export Credit Guarantee Department arising from a long-completed contract that was not paid for at the time and payments received for land transferred under a compulsory purchase order.

2. Segment information
For the purpose of the Board making strategic decisions, the Group is currently organised into three operating segments: Property Investment and Development; Land Development; and Construction. Group overheads are not a reportable segment; however, information about them is considered by the Board in conjunction with the reportable segments.

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

Revenue for the year was derived from a large number of customers and no single customer or group under common control contributed more than 10% of the Group's revenues. During the prior year the Group made land disposals to a single customer amounting to 17% of the Group's total revenue. Land transactions are often high value, low volume transactions and as the Group receives offers from multiple customers for its sales it 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 96 to 103.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

2. Segment information continued

	2014 £'000	2013 £'000
Segment assets		
Property Investment and Development	190,921	172,749
Land Development	117,599	113,251
Construction	30,918	27,117
Group overheads	1,926	2,118
	341,364	315,235
Unallocated assets		
Deferred tax assets	7,123	5,411
Cash and cash equivalents	4,347	15,587
Total assets	352,834	336,233
Segment liabilities		
Property Investment and Development	14,526	4,280
Land Development	18,955	22,976
Construction	45,487	39,248
Group overheads	2,510	1,966
	81,478	68,470
Unallocated liabilities		
Current tax liabilities	1,976	2,505
Current borrowings	31,969	46,492
Non-current borrowings	8,779	5,207
Retirement benefit obligations	28,158	20,075
Total liabilities	152,360	142,749
Total net assets	200,474	193,484

3. Operating profit

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

	2014 £'000	2013 £'000
Depreciation of property, plant and equipment	3,299	3,086
Impairment of goodwill included in administrative expenses	203	204
Amortisation of PFI asset included in cost of sales	1,155	1,140
Amortisation of capitalised letting fees	94	88
Gain on sale of assets held for sale	(122)	—
Impairment losses recognised on trade receivables included in cost of sales	33	30
Impairment losses recognised on trade receivables included in administrative expenses	30	255
Property rentals under operating leases	239	181
(Increase)/decrease in fair value of investment property	(1,950)	1,563
Cost of inventories recognised as expense	27,366	47,370
Employee costs	24,959	22,797
Amounts payable to Deloitte LLP by Road Link (A69) Limited in respect of audit services	9	8
Profit on sale of property, plant and equipment	(459)	(406)

3. Operating profit continued

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

	2014 £'000	2013 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	86	72
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	88	88
Total audit fees	174	160
Tax compliance services	43	41
Tax advisory services	21	42
Other services	37	59
Total non-audit fees	101	142
Total fees	275	302

In addition, fees of £8,800 (2013: £7,800) were paid to BDO LLP in their capacity as auditors of The Henry Boot Staff Pension and Life Assurance Scheme.

4. Employee costs

	2014 £'000	2013 £'000
Wages and salaries	18,855	16,604
Share-based payment expense	423	429
Social security costs	2,136	1,975
Defined benefit pension costs (see note 27)	2,433	3,034
Defined contribution pension costs (see note 27)	694	501
Other pension costs	86	97
	24,627	22,640

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

	2014 Number	2013 Number
Property Investment and Development	49	37
Land Development	31	29
Construction	214	225
Plant hire	113	108
Group overheads	52	51
	459	450

5. Finance income

	2014 £'000	2013 £'000
Interest on bank deposits	21	10
Interest on other loans and receivables	499	262
Fair value adjustments on trade receivables	194	422
	714	694

NOTES TO THE FINANCIAL STATEMENTS continued

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6. Finance costs

	2014 £'000	2013 £'000
Interest on bank loans and overdrafts	**1,127**	1,168
Interest on other loans and payables	**65**	11
Fair value adjustments on trade payables	**288**	244
Fair value adjustments on borrowings	**64**	82
Provisions: unwinding of discount (note 26)	**6**	21
	1,550	1,526

7. Tax

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax on profits for the year	**4,607**	4,064
Adjustment in respect of earlier years	**(160)**	(13)
Total current tax	**4,447**	4,051
Deferred tax (note 17):		
Origination and reversal of temporary differences	**623**	1,092
Adjustment in respect of earlier years	**(260)**	—
Total deferred tax	**363**	1,092
Total tax	**4,810**	5,143

Corporation tax is calculated at 21.49% (2013: 23.25%) of the estimated assessable profit for the year.

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

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

	2014 £'000	2013 £'000
Profit before tax	**28,312**	18,377

	2014 %	2013 %
Tax at the UK corporation tax rate	**21.49**	23.25
Effects of:		
Permanent differences	**(2.42)**	5.22
Short-term timing differences	**(0.61)**	(0.17)
Adjustment in respect of earlier years	**(0.57)**	(0.07)
Joint venture results reported net of tax	**(0.90)**	(0.23)
Effective tax rate	**16.99**	28.00

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

	2014 £'000	2013 £'000
Deferred tax:		
– property revaluations	**—**	84
– actuarial loss/(gain)	**2,092**	(2,447)
– cash flow hedge	**(17)**	(38)
Total tax recognised in other comprehensive income	**2,075**	(2,401)

8. Results of Parent Company

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these Financial Statements. The profit dealt with in the Financial Statements of the Parent Company and approved by the Board on 17 April 2015 is £8,541,000 (2013: £11,342,000) and includes dividends received from subsidiaries of £7,800,000 (2013: £16,844,000).

9. Earnings per ordinary share

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

Earnings	2014 £'000	2013 £'000
Profit for the year	**23,502**	13,234
Non-controlling interests	**(2,333)**	(1,919)
Preference dividend	**(21)**	(21)
	21,148	11,294

Number of shares	2014	2013
Weighted average number of shares in issue	**131,225,343**	131,096,122
Less shares held by the ESOP on which dividends have been waived	**(283,175)**	(239,832)
Weighted average number for basic earnings per share	**130,942,168**	130,856,290
Adjustment for the effects of dilutive potential ordinary shares	**1,723,493**	1,972,866
Weighted average number for diluted earnings per share	**132,665,661**	132,829,156

10. Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in year:		
Preference dividend on cumulative preference shares	**21**	21
Final dividend for the year ended 31 December 2013 of 3.15p per share (2012: 2.90p)	**4,115**	3,786
Interim dividend for the year ended 31 December 2014 of 2.10p per share (2013: 1.95p)	**2,750**	2,551
	6,886	6,358

The proposed final dividend for the year ended 31 December 2014 of 3.50p per share (2013: 3.15p) makes a total dividend for the year of 5.60p (2013: 5.10p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £4,617,000.

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 £1,674,000 (2013: £2,037,000).

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for the year ended 31 December 2014

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2013	4,070	15,861	19,931
Additions at cost	—	186	186
At 31 December 2013	4,070	16,047	20,117
Additions at cost	**—**	**97**	**97**
Disposals	**—**	**(10)**	**(10)**
At 31 December 2014	**4,070**	**16,134**	**20,204**
Accumulated impairment losses and amortisation			
At 1 January 2013	1,696	9,083	10,779
Amortisation	—	1,140	1,140
Impairment losses for the year	204	—	204
At 31 December 2013	1,900	10,223	12,123
Amortisation	**—**	**1,155**	**1,155**
Impairment losses for the year	**203**	**—**	**203**
Eliminated on disposals	**—**	**(10)**	**(10)**
At 31 December 2014	**2,103**	**11,368**	**13,471**
Carrying amount			
At 31 December 2014	**1,967**	**4,766**	**6,733**
At 31 December 2013	2,170	5,824	7,994
At 1 January 2013	2,374	6,778	9,152

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition represents the excess of consideration over net assets acquired and is subject to an impairment test at the reporting date. This company's subsidiary, Road Link (A69) Limited, operates a PFI concession which comprises managing and maintaining the A69 Carlisle to Newcastle trunk road. The company receives payment from the Highways Agency based on the number and type of vehicles using the road. The concession lasts for a period of 30 years and has a further eleven years to run, at the end of which the road reverts to the Highways Agency. Whilst the impairment test demonstrates significant headroom, an impairment charge of £203,000 (2013: £204,000) has been recognised during the year to reflect the fact that the PFI concession will revert to the Highways Agency at the end of the 30 year period, at which point no goodwill should remain. There were no significant changes to these arrangements during the year.

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

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

Bank borrowings are secured on the PFI asset for the value of £581,000 (2013: £1,744,000); see note 24.

12. Property, plant and equipment

Group	Land and buildings £'000	Equipment held for hire £'000	Vehicles £'000	Office equipment £'000	Total £'000
Cost or fair value					
At 1 January 2013	7,187	24,193	4,809	1,802	37,991
Additions at cost	—	3,303	373	420	4,096
Disposals	—	(1,578)	(581)	(30)	(2,189)
At 31 December 2013	7,187	25,918	4,601	2,192	39,898
Additions at cost	**—**	**3,670**	**1,018**	**686**	**5,374**
Disposals	**—**	**(2,098)**	**(725)**	**(328)**	**(3,151)**
At 31 December 2014	**7,187**	**27,490**	**4,894**	**2,550**	**42,121**
Being:					
Cost	**—**	**27,490**	**4,894**	**2,550**	**34,696**
Fair value at 31 December 2014	**7,187**	**—**	**—**	**—**	**7,425**
	7,187	**27,490**	**4,894**	**2,550**	**42,121**
Accumulated depreciation and impairment					
At 1 January 2013	412	17,180	2,300	1,537	21,429
Charge for year	—	2,228	674	184	3,086
Eliminated on disposals	—	(1,463)	(479)	(29)	(1,971)
At 31 December 2013	412	17,945	2,495	1,692	22,544
Charge for year	**—**	**2,360**	**691**	**248**	**3,299**
Eliminated on disposals	**—**	**(1,882)**	**(607)**	**(319)**	**(2,808)**
At 31 December 2014	**412**	**18,423**	**2,579**	**1,621**	**23,035**
Carrying amount					
At 31 December 2014	**6,775**	**9,067**	**2,315**	**929**	**19,086**
At 31 December 2013	6,775	7,973	2,106	500	17,354
At 1 January 2013	6,775	7,013	2,509	265	16,562

At 31 December 2014, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2,713,000 (2013: £1,240,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2014 by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £6,775,000 (2013: £6,775,000). Jones Lang LaSalle Limited is a professional valuer who holds recognised and professional qualifications and has recent experience in the location and category of the land and buildings being valued.

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

On the historical cost basis, the land and buildings would have been included at a carrying amount of £2,859,000 (2013: £2,859,000).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

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	**2014 £'000**	2013 £'000	Increase/ (decrease) in fair value in year
Freehold land	—	—	60	**60**	60	—
Buildings	—	—	6,715	**6,715**	6,715	—
Total fair value	—	—	6,775	**6,775**	6,775	—

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

Explanation of the fair value hierarchy:

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

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

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

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

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

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

12. Property, plant and equipment continued

Parent Company	Vehicles £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2013	47	694	741
Additions	—	58	58
Disposals	(23)	(27)	(50)
At 31 December 2013	24	725	749
Additions	**—**	**96**	**96**
Disposals	**(24)**	**(139)**	**(163)**
At 31 December 2014	**—**	**682**	**682**
Depreciation			
At 1 January 2013	45	615	660
Charge for year	2	42	44
Disposals	(23)	(26)	(49)
At 31 December 2013	24	631	655
Charge for year	**—**	**50**	**50**
Disposals	**(24)**	**(136)**	**(160)**
At 31 December 2014	**—**	**545**	**545**
Carrying amount			
At 31 December 2014	**—**	**137**	**137**
At 31 December 2013	—	94	94
At 1 January 2013	2	79	81

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	**2014 £'000**	2013 £'000	Increase/ (decrease) in fair value in year
Completed investment property						
Industrial	—	—	14,013	**14,013**	9,435	4,578
Leisure	—	—	7,276	**7,276**	6,408	868
Mixed-use	—	—	56,877	**56,877**	54,375	2,502
Residential	—	—	3,891	**3,891**	4,379	(488)
Retail	—	—	17,060	**17,060**	15,930	1,130
	—	—	99,117	**99,117**	90,527	8,590
Investment property under construction						
Industrial	—	—	9,344	**9,344**	6,830	2,514
Land	—	—	6,248	**6,248**	7,596	(1,348)
Leisure	—	—	1,833	**1,833**	3,709	(1,876)
Office	—	—	4,283	**4,283**	600	3,683
Retail	—	—	20,735	**20,735**	23,132	(2,397)
	—	—	42,443	**42,443**	41,867	576
Total fair value	—	—	141,560	**141,560**	132,394	9,166

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

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 31 December 2014

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

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

Completed investment property

Class **Fair value hierarchy**	Industrial Level 3 £'000	Leisure Level 3 £'000	Mixed-use Level 3 £'000	Residential Level 3 £'000	Retail Level 3 £'000	**2014** **£'000**	2013 £'000
Fair value							
At 1 January	9,435	6,408	54,375	4,379	15,930	**90,527**	96,149
Subsequent expenditure on investment property	2,586	121	462	—	1,938	**5,107**	1,297
Capitalised letting fees	10	54	40	—	14	**118**	169
Amortisation of capitalised letting fees	—	(3)	(54)	—	(19)	**(76)**	(87)
Disposals	—	—	—	(408)	(1,099)	**(1,507)**	(361)
Transfers to assets held for sale	(260)	—	—	—	—	**(260)**	(10,511)
Transfer to inventories	—	(335)	—	(663)	—	**(998)**	(68)
Transfers from investment property under construction	—	—	—	—	1,404	**1,404**	5,040
Increase/(decrease) in fair value in year	2,242	1,031	2,054	583	(1,108)	**4,802**	(1,101)
At 31 December	**14,013**	**7,276**	**56,877**	**3,891**	**17,060**	**99,117**	90,527
Adjustment in respect of tenant incentives	17	237	1,918	—	324	**2,496**	2,688
Adjustment in respect of tax benefits	(40)	(83)	(485)	—	(34)	**(642)**	(471)
Market value at 31 December	**13,990**	**7,430**	**58,310**	**3,891**	**17,350**	**100,971**	92,744

13. Investment properties continued

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

With the exception of the residential class, completed investment property has been revalued at 31 December 2014 by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £97,080,000 (2013: £88,365,000). Jones Lang LaSalle Limited is a professional valuer who holds recognised and professional qualifications and has recent experience in the location and category of the investment property being valued. The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the yield method valuation technique. The yield method of valuation involves applying market-derived capitalisation yields, and the actual or market-derived future income streams where appropriate, with adjustments for letting voids or rent-free periods as applicable to each property. For all investment properties, their current use equates to the highest and best use.

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

The fair value of the residential class at 31 December 2014 has been determined by the Directors of the Company at £3,891,000 (2013: £4,379,000). 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):

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

				2013		
Class		Industrial	Leisure	Mixed-use	Residential	Retail
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield
Rental value per sq ft (£)	– weighted average	4.89	28.00	11.65	—	9.00
	– low	4.24	22.64	2.50		2.36
	– high	6.00	40.86	58.39	—	26.78
Yield %	– weighted average	7.49	7.30	9.10	—	8.19
	– low	7.15	6.08	6.00	—	4.40
	– high	9.54	7.25	15.56		15.00
% discount applied to houses held under assured tenancies		—	—	—	25.00	—

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

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for the year ended 31 December 2014

13. Investment properties continued

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

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

	Impact on valuation 2013 £'000				
	Industrial	Leisure	Mixed-use	Residential	Retail
Yield – improvement by 0.5%	603	438	3,043	—	1,155
Rental value per sq ft – increase by £1 average	1,925	242	5,084	—	1,457
Tenancy discount – increase by 1%	—	—	—	50	—

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

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £8,026,000 (2013: £7,653,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £327,000 (2013: £672,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £1,101,000 (2013: £349,000).

At 31 December 2014, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £11,167,000 (2013: £321,000).

Investment property under construction

Class **Fair value hierarchy**	Industrial Level 3 £'000	Land Level 3 £'000	Leisure Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	**2014** **£'000**	2013 £'000
Fair value							
At 1 January	6,830	7,596	3,709	600	23,132	**41,867**	44,226
Subsequent expenditure on investment property	2,762	305	1,737	4,286	1,261	**10,351**	4,903
Capitalised letting fees	18	—	—	—	55	**73**	48
Amortisation of capitalised letting fees	(13)	—	—	—	(5)	**(18)**	(1)
Disposals	(415)	(1,653)	—	(425)	—	**(2,493)**	(1,528)
Transfer to inventories	(149)	—	(2,932)	—	—	**(3,081)**	(279)
Transfers to completed investment property	—	—	—	—	(1,405)	**(1,405)**	(5,040)
(Decrease)/increase in fair value in year	311	—	(681)	(178)	(2,303)	**(2,851)**	(462)
At 31 December	**9,344**	**6,248**	**1,833**	**4,283**	**20,735**	**42,443**	41,867
Adjustment in respect of tenant incentives	—	—	—	—	—	**—**	—
Adjustment in respect of tax benefits	—	—	—	—	—	**—**	—
Market value at 31 December	**9,344**	**6,248**	**1,833**	**4,283**	**20,735**	**42,443**	41,867

13. Investment properties continued

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

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

Class		2013 Industrial	2013 Land	2013 Leisure	2013 Office	2013 Retail
Valuation technique		Residual	Sales comparison	Residual	Residual	Residual
Rental value per sq ft (£)	– weighted average	4.35	—	17.98	15.00	16.02
	– low	4.25	—	10.76	14.00	4.75
	– high	5.50	—	25.20	16.00	32.50
Yield %	– weighted average	7.25	—	5.50	8.50	6.77
	– low	6.75	—	5.00	7.75	4.75
	– high	7.50	—	6.00	9.00	8.00
Costs to complete per sq ft (£)	– weighted average	41.16	3.48	192.44	116.73	151.25
	– low	41.16	0.78	147.80	116.73	44.93
	– high	41.16	5.81	244.41	116.73	246.19
Land value per acre (£'000)	– weighted average	—	106	—	—	—
	– low	—	22	—	—	—
	– high	—	1,550	—	—	—

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

13. Investment properties continued

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

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

	Impact on valuation 2013 £'000				
	Industrial	Land	Leisure	Office	Retail
Yield – improvement by 0.5%	2,864	—	1,245	5	9,601
Rental value per sq ft – increase by £1 average	8,891	—	715	22	6,489
Costs to complete – increase by 1%	682	11	42	16	470
Land value per acre – increase by 5%	—	493	—	—	—

Investment properties under construction are developments which have been valued at 31 December 2014 at fair value by the Directors of the Company using the residual method at £42,443,000 (2013: £41,867,000). The residual method of valuation involves estimating the gross development value of the property using market-derived capitalisation yields and market-derived future income streams. From this gross development value the remaining gross development costs to be incurred are deducted, using market-derived data cost estimates or the actual known costs and including cost contingencies for construction risk as appropriate. In addition a deduction for the anticipated development profits yet to be earned is made, taking into account the progress of the development to date in line with key milestones.

14. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2013	25,772
Additions	10,000
At 31 December 2013 and 2014	**35,772**
Fair value adjustments	
At 1 January 2013	(22,751)
Provisions for losses	(9,652)
At 31 December 2013	(32,403)
Reversal of provisions for losses	**440**
At 31 December 2014	**(31,963)**
Carrying amount	
At 31 December 2014	**3,809**
At 1 January 2014	3,369
At 1 January 2013	3,021

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

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

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

- Road Link (A69) Holdings Limited which is 61.2% owned by Henry Boot Construction Limited;
- Stonebridge Projects Limited which is 50% owned by, and under board control of, Henry Boot Land Holdings Limited; and

14. Investments continued

- Stonebridge Offices Limited which is indirectly 50% owned by, and under board control of, Henry Boot Land Holdings Limited.

They are all incorporated in the United Kingdom.

All subsidiary companies have only one class of ordinary issued share capital.

15. Investment in joint ventures

Group	2014 £'000	2013 £'000
Cost		
At 1 January	**180**	22
Share of profit for the year	**1,187**	183
Dividends received	**—**	(25)
At 31 December	**1,367**	180

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

	2014 £'000	2013 £'000
Investment property	**5,348**	2,004
Current assets	**348**	59
Total assets	**5,696**	2,063
Current liabilities	**(249)**	(143)
Non-current liabilities	**(4,080)**	(1,740)
Net investment in joint ventures	**1,367**	180

	2014 £'000	2013 £'000
Revenue	**485**	—
Administration and other expenses	**(320)**	(21)
Increase in fair value of investment properties	**1,002**	225
Operating profit	**1,167**	204
Finance income/(costs)	**35**	(33)
Profit before tax	**1,202**	171
Tax	**(15)**	12
Share of profits from joint ventures after tax	**1,187**	183

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

16. Trade and other receivables

	Group		Parent Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade receivables	**42,135**	49,893	**177**	158
Prepayments	**4,606**	2,318	**159**	414
Amounts owed by related companies	**8,161**	3,578	**—**	—
Amounts owed by Group undertakings	**—**	—	**193,866**	188,841
	54,902	55,789	**194,202**	189,413
Due within one year	**50,065**	43,103	**194,202**	189,413
Due after more than one year	**4,837**	12,686	**—**	—
	54,902	55,789	**194,202**	189,413

Included in the Group's trade receivable balance are receivables with a carrying amount of £4.0m (2013: £3.0m) which are past due at the reporting date and for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

16. Trade and other receivables continued

Ageing of past due but not impaired trade receivables

	2014 £'000	2013 £'000
30–60 days	**2,889**	1,709
60–90 days	**576**	1,061
90–120 days	**257**	69
120+ days	**253**	138
	3,975	2,977

Movement in the allowance for doubtful receivables

	2014 £'000	2013 £'000
At 1 January	**299**	190
Impairment losses recognised	**63**	285
Amounts written off as uncollectable	**(94)**	(137)
Amounts recovered during the year	**(33)**	(39)
At 31 December	**235**	299

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	2014 £'000	2013 £'000
0–30 days	**4**	16
30–60 days	**8**	6
60–90 days	**23**	4
90–120 days	**6**	32
120+ days	**194**	241
	235	299

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

Parent Company

Amounts owed by Group undertakings are unsecured and are stated net of provisions for irrecoverable amounts of £2,560,000 (2013: £2,560,000), of which £Nil (2013: £Nil) has been provided in the year and £Nil (2013: £3,854,000) has been recovered in the year.

The Parent Company has no impaired trade receivables.

Credit risk

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

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

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

17. Deferred tax

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

Deferred tax asset

Group	Accelerated capital allowances £'000	Property revaluations £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 1 January 2013	148	1,138	7,023	595	8,904
Recognised in income	(6)	(382)	(561)	(143)	(1,092)
Recognised in other comprehensive income	—	84	(2,447)	(38)	(2,401)
At 31 December 2013	142	840	4,015	414	5,411
Recognised in income	**161**	**99**	**(475)**	**(148)**	**(363)**
Recognised in other comprehensive income	**—**	**—**	**2,092**	**(17)**	**2,075**
At 31 December 2014	**303**	**939**	**5,632**	**249**	**7,123**
Parent Company					
At 1 January 2013	33	—	7,023	463	7,519
Recognised in income	(4)	—	(561)	(62)	(627)
Recognised in other comprehensive income	—	—	(2,447)	—	(2,447)
At 31 December 2013	29	—	4,015	401	4,445
Recognised in income	**1**	**—**	**(475)**	**(144)**	**(618)**
Recognised in other comprehensive income	**—**	**—**	**2,092**	**—**	**2,092**
At 31 December 2014	**30**	**—**	**5,632**	**257**	**5,919**

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 £837,000 (2013: £1,399,000). 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 23% to 21% effective from 1 April 2014 and from 21% to 20% effective from 1 April 2015, both of which were substantively enacted on 2 July 2013, deferred tax balances at the year end have been measured at 20% being the rate at which timing differences are expected to reverse.

18. Inventories

	2014 £'000	2013 £'000
Developments in progress	**17,830**	7,110
Land held for development or sale	**72,920**	63,354
Options to purchase land	**8,127**	8,155
Planning promotion agreements	**18,580**	12,394
	117,457	91,013

Within developments in progress £101,000 (2013: £94,000) has been written down and recognised as an expense in the year. These costs relate to development projects no longer likely to proceed. Within land held for development, options to purchase land and planning promotion agreements £1,991,000 (2013: £2,008,000) has been written down and recognised as an expense in the year. These costs relate to land, options and planning promotion agreements where planning permission for development has been refused or is deemed to be doubtful.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

19. Construction contracts

	2014 £'000	2013 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in trade receivables	**573**	1,089
Amounts due to contract customers included in trade payables	**(10,096)**	(4,435)
	(9,523)	(3,346)
Contract costs incurred plus recognised profits less recognised losses to date	**305,843**	333,304
Less: progress billings	**(315,366)**	(336,650)
	(9,523)	(3,346)

At 31 December 2014, retentions held by customers for contract work amounted to £1,547,000 (2013: £1,458,000). Advances received from customers for contract work amounted to £10,096,000 (2013: £4,435,000).

20. Assets classified as held for sale

Assets classified as held for sale are investment properties, within the Property Investment and Development segment, which are individually being actively marketed for sale with expected completion dates within one year. At the reporting date assets classified as held for sale represent an industrial unit at our Markham Vale development.

Assets classified as held for sale comprise the following:

	Investment property	
	2014 £'000	2013 £'000
Fair value		
At 1 January	**10,511**	1,900
Transfer from investment property	**260**	10,511
Disposals	**(10,511)**	(1,900)
At 31 December	**260**	10,511
Adjustment in respect of tenant incentives	**—**	1,356
Adjustment in respect of tax benefits	**—**	—
Market value at 31 December	**260**	11,867

Assets classified as held for sale have been valued at 31 December 2014 at fair value by the Directors of the Company at £260,000 (2013: £10,511,000). The fair value is based on management's estimate of the likely outcomes of the offers received or expected to be received as at 31 December 2014.

21. Trade and other payables

	Group		Parent Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	**55,675**	46,829	**1,662**	958
Social security and other taxes	**4,842**	2,935	**472**	364
Accrued expenses	**2,305**	939	**347**	598
Deferred income	**9,083**	4,206	**—**	—
Interest rate swap liability	**17**	102	**—**	—
Amounts owed to related parties	**50**	—	**—**	—
Amounts owed to Group undertakings	**—**	—	**79,737**	70,253
	71,972	55,011	**82,218**	72,173
Due within one year	**68,833**	50,171	**82,218**	72,173
Due after more than one year	**3,139**	4,840	**—**	—
	71,972	55,011	**82,218**	72,173

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

22. Government grants

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

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

Amounts credited to the Statement of Comprehensive Income during the year were £nil (2013: £98,000).

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

23. Capital risk management

The Company's objectives when managing capital are:

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

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

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and cash equivalents and at 31 December 2014 this was £36.4m (2013: £36.1m). Equity comprises all components of equity and at 31 December 2014 this was £200.5m (2013: £193.5m).

During 2014 the Group's strategy, which was unchanged from previous years, was to maintain the debt to equity ratio below 50%. This level was chosen to ensure that we can access debt relatively easily and inexpensively if required.

The Group has in place three year committed facilities totalling £50m with our three banking partners. In February 2015, the Group concluded negotiations with three banking partners to put in place a £60m facility to replace the £50m facility we had in place at 31 December 2014. The renewed facilities commenced on 17 February 2015, with a renewal date of 17 February 2018 and an option to extend the facility by one year, each year, for the next two years occurring on the anniversary of the facility. 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.

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for the year ended 31 December 2014

24. Borrowings

	Group		Parent Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Bank overdrafts	**—**	—	**642**	739
Bank loans	**33,096**	48,746	**30,000**	45,000
Government loans	**7,652**	2,953	**—**	—
	40,748	51,699	**30,642**	45,739
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	**32,322**	47,095	**30,834**	46,155
In the second year	**2,297**	1,033	**—**	—
In the third to fifth years inclusive	**6,909**	2,574	**—**	—
After five years	**—**	2,078	**—**	—
	41,528	52,780	**30,834**	46,155
Due within one year	**32,322**	47,095	**30,834**	46,155
Due after one year	**9,206**	5,685	**—**	—
	41,528	52,780	**30,834**	46,155

The weighted average interest rates paid were as follows:

	2014 %	2013 %
Bank overdrafts	**3.25**	3.32
Bank loans – floating rate	**2.55**	2.52
Bank loans – floating rate (relating to Road Link (A69) Limited)	**1.42**	1.47
Bank loans – floating rate (relating to Stonebridge Offices Limited)	**3.03**	2.78
Government loans	**—**	—

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 three to six months. These borrowings are secured by a fixed and floating charge over the assets of the Group excluding those of Road Link (A69) Limited and Stonebridge Offices Limited.

The Road Link (A69) Limited bank loan is secured by a specific charge over the freehold and leasehold properties of that Company and fixed and floating charges over the assets of that Company and is without recourse to the rest of the Group. It is repayable in six-monthly instalments that commenced in the year ended 31 March 1999 and is repayable by 31 March 2015.

The Stonebridge Offices Limited bank loan is secured by a specific charge over the freehold property of that company and is without recourse to the rest of the Group. The loan was renewed on 29 October 2014 and is repayable in quarterly instalments of £31,250 that commenced on 11 December 2014 with full and final settlement becoming due on 11 December 2018.

24. Borrowings continued

Government loans from the South West of England Regional Development Agency (SWE) and Sedgemoor District Council (SDC) were issued at a borrowing rate of nil%, their fair values are £2,718,000 (2013: £2,953,000) and £319,000 (2013: £nil) respectively.

Government loans from the Homes and Communities Agency (HCA) were issued with a fixed level of interest of £301,000, their fair values are £2,815,000 (2013: £nil) (Education Campus) and £1,800,000 (2013: £nil) (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 last year being three years after the quarter date of the construction completion of the first residential unit. A Further repayment was made during the year and subsequent repayments will follow each quarter until the principle is repaid in full. The repayments are calculated at £8,000 per residential unit and are linked to the Land Registry House Price Index.

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

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

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

The bank loan of £581,000, relating to Road Link (A69) Limited, is arranged at an effective floating interest rate of LIBOR plus 0.8%. The loan is fully hedged (see note 25), giving rise to an effective fixed interest rate of 7.37%. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Based on approximate average borrowings during 2014, a 1.0% (2013: 1.0%) change in interest rates, which the Directors consider to be a reasonable possible change, would affect profitability before tax by £306,000 (2013: £290,000).

The fair value of the Group's borrowings is not considered to be materially different from the carrying amounts, other than as disclosed in note 25.

At 31 December 2014, the Group had available £21,800,000 (2013: £22,455,000) undrawn committed borrowing facilities.

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for the year ended 31 December 2014

25. Derivative financial instruments

Interest rate swap – cash flow hedge

At 31 December 2014, an interest rate swap transaction was in place covering a bank loan of £581,000 (2013: £1,744,000) whereby the Group's subsidiary, Road Link (A69) Limited, pays a fixed rate of interest of 6.57% and receives a variable rate based on LIBOR. Interest is payable or receivable, as appropriate, semi-annually. The swap is used to hedge the exposure to the variable interest rate payments on the variable rate secured loan of the subsidiary (note 24).

The loan and interest rate swap have the same critical terms, are fully effective and have a termination date of 31 March 2015.

The fair value of the interest rate swap arrangement at 31 December 2014 was a liability of £17,000 (2013: £102,000), included in 'Trade and other payables', giving rise to a hedge reserve deducted from other reserves.

Fair value measurements recognised in the Statement of Financial Position

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

	2014 £'000	2013 £'000
Derivative financial liabilities:		
Level 1	**—**	—
Level 2	**17**	102
Level 3	**—**	—
Total fair value	**17**	102

Explanation of the fair value hierarchy:

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

26. Provisions

	Land development £'000	Road maintenance £'000	Other £'000	Total £'000
At 1 January 2014				
Included in current liabilities	5,579	1,543	25	7,147
Included in non-current liabilities	6,312	—	—	6,312
	11,891	1,543	25	13,459
Additional provisions in year	**729**	**882**	**—**	**1,611**
Unwinding of discount	**6**	**—**	**—**	**6**
Utilisation of provisions	**(4,349)**	**(1,204)**	**—**	**(5,553)**
Non-utilisation of provisions	**—**	**(16)**	**—**	**(16)**
At 31 December 2014	**8,277**	**1,205**	**25**	**9,507**
Included in current liabilities	**3,092**	**1,205**	**25**	**4,322**
Included in non-current liabilities	**5,185**	**—**	**—**	**5,185**
	8,277	**1,205**	**25**	**9,507**

26. Provisions continued

The land development provision represents management's best estimate of the Group's liability to provide infrastructure and service obligations, which remain with the Group following the disposal of land. The provision is calculated using the present value of the estimated cash flows required to settle the present obligations, pro rata on an acreage allocation basis where disposals occur over a number of phases, such that provisions are only made in relation to the land which has been disposed. Based on a 1.0% change in the discount rate and a 5.0% change in the estimated cash outflows, both of which the Directors consider to be a reasonable possible change, land development provisions would change and affect profitability before tax by £161,000 and £420,000 respectively (2013: £207,000 and £583,000).

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

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset. Based on a 5.0% change in the estimated cash outflows, which the Directors consider to be a reasonable possible change, the road maintenance provision would change and affect profitability before tax by £60,000 (2013: £78,000).

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

Off Balance Sheet Arrangements

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

The Group has historically disposed of 86 and 16 acres respectively and has subsequently recognised provisions to the value of £8,277,000 being the Group's best estimate of the consideration required to settle the present obligations at the reporting date. Subsequent disposals are expected to occur over a number of phases, provisions are made in relation to the land which has been disposed. The present value of the estimated cash flows relating to future disposals, amounting to £11,454,000, has therefore not been recognised in these Financial Statements.

27. Retirement benefit obligations

Defined contribution pension scheme

The Group operates a defined contribution pension scheme for all qualifying employees. The scheme is administered and managed by Aviva and the Group matches member contributions, providing a minimum of 3% of salary is paid by the employee, on a pound for pound basis up to a maximum of 8%.

The total cost charged to income of £694,000 (2013: £501,000) represents contributions payable to the scheme by the Group. The increase in scheme contributions arises from the Government's automatic enrolment scheme introduced on 1 May 2014.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

27. Retirement benefit obligations continued

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

Investment risk

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

Interest rate risk

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

Inflation risk

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

Longevity risk

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

A formal actuarial valuation was carried out as at 31 December 2012. The results of that valuation have been projected to 31 December 2014 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

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

	2014 %	2013 %
Retail Prices Index 'Jevons' (RPIJ)	2.30	2.40
Consumer Prices Index (CPI)	2.00	2.00
Pensionable salary increases	1.00	1.00
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	2.30	2.40
Revaluation of deferred pensions	2.00	2.00
Liabilities discount rate	3.60	4.50

Mortality assumptions	2014 Years	2013 Years
Retiring today (aged 65)		
Male	22.1	22.3
Female	24.4	24.6
Retiring in 20 years (currently aged 45)		
Male	23.3	23.6
Female	26.0	26.2

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

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

	Impact on scheme liabilities		
	Change in assumption	Increase in assumption	Decrease in assumption
Rate of inflation	0.25%	Increase by 3.6%	Decrease by 3.4%
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 3.2%	Decrease by 3.1%

* 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:

	2014 £'000	2013 £'000
Service cost:		
Current service cost	**1,129**	1,200
Ongoing scheme expenses	**425**	340
Net interest expense	**832**	1,288
Pension Protection Fund	**47**	206
Pension expenses recognised in profit or loss	**2,433**	3,034
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(8,029)**	(5,825)
Actuarial gains arising from changes in demographic assumptions	**(2,862)**	(2,191)
Actuarial losses/(gains) arising from changes in financial assumptions	**21,349**	(5,937)
Actuarial losses arising from experience adjustments	**—**	5,416
Actuarial losses/(gains) recognised in other comprehensive income	**10,458**	(8,537)
Total	**12,891**	(5,503)

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

	2014 £'000	2013 £'000
Present value of scheme obligations	**176,641**	156,254
Fair value of scheme assets	**(148,483)**	(136,179)
	28,158	20,075

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

	2014 £'000	2013 £'000
Non-current liabilities	**28,158**	20,075

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

	2014 £'000	2013 £'000
At 1 January	**156,254**	157,233
Current service cost	**1,129**	1,200
Interest on obligation	**6,920**	6,883
Contributions from scheme members	**5**	6
Actuarial loss/(gain)	**18,487**	(2,712)
Benefits paid	**(6,154)**	(6,356)
At 31 December	**176,641**	156,254

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

	2014 £'000	2013 £'000
At 1 January	**136,179**	126,700
Interest income	**6,088**	5,595
Actuarial gain on scheme assets	**8,029**	5,825
Employer contributions	**4,761**	4,749
Contributions from scheme members	**5**	6
Benefits paid	**(6,154)**	(6,356)
Ongoing scheme expenses	**(425)**	(340)
At 31 December	**148,483**	136,179

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

27. Retirement benefit obligations continued

Included in equities are 2,000,000 (2013: 2,250,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £3,905,000 (2013: £4,500,000).

The current estimated amount of total contributions expected to be paid to the scheme during the 2015 financial year is £4,739,000, being £4,734,000 payable by the Group and £5,000 payable by scheme members.

The Company's level of recovery plan funding to the scheme is £3,600,000 per annum which will be reviewed at the next triennial valuation. In addition to this, and as part of the recovery plan for the scheme as a result of the 31 December 2009 triennial valuation, the Company agreed to contribute a further £175,200 per annum for a period of ten years beginning in 2011.

28. Operating leases

The Group as lessee

	2014 £'000	2013 £'000
Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the year	**239**	181

At 31 December 2014, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 £'000	2013 £'000
Within one year	**150**	63
In the second to fifth years inclusive	**508**	32
After five years	**550**	—
	1,208	95

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

The Group as lessor

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

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

	2014 £'000	2013 £'000
Within one year	**7,095**	7,094
In the second to fifth years inclusive	**28,712**	27,596
After five years	**79,907**	59,822
	115,714	94,512

29. Related party transactions

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

Parent Company	2014 £'000	2013 £'000
Management charges receivable	1,420	1,140
Interest receivable	8,042	8,451
Interest payable	(2,413)	(2,770)
Rents payable	(151)	(151)
Recharge of expenses	159	104

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

Purchases of goods and services	2014 £'000	2013 £'000
Close family members of key management personnel (amounts paid for IT services)	36	37
Related companies of key management personnel (amounts paid for Non-executive Director services)	40	35

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

Remuneration of key management personnel

The remuneration of the Directors, who are key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 63 to 71.

	2014 £'000	2013 £'000
Short-term employee benefits	1,547	1,399
Post-employment benefits	40	47
Share-based payments	451	485
	2,038	1,931

30. Share capital

	Allotted, issued and fully paid	
	2014 £'000	2013 £'000
400,000 5.25% cumulative preference shares of £1 each	400	400
131,923,592 ordinary shares of 10p each (2013: 131,096,122)	13,192	13,110
	13,592	13,510

The Company has one class of ordinary share which carries no rights to fixed income but which entitles the holder thereof to receive notice and attend and vote at general meetings or appoint a proxy to attend on their behalf.

Subject to Board approval, the preference shares carry the right to a cumulative preferential dividend payable half yearly at the rate of 5.25% per annum. They also carry a right, in priority to the ordinary equity, on a return of assets on a winding-up or reduction of capital, to repayment of capital, together with the arrears of any preferential dividend. With the exception of any resolution proposed to directly affect the rights or privileges of the holders of the preference shares, the holders thereof are not entitled to receive notice, be present or vote at any general meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 31 December 2014

30. Share capital continued

Share-based payments
The Company operates the following share-based payment arrangements:

(a) The Henry Boot PLC 2010 Sharesave Plan
This savings related share option plan was approved by shareholders in 2010 and is HMRC approved. Grants of options to participating employees were made on 26 October 2011 at a price of 106.0p at a discount of just over 10% of the prevailing market price and 23 October 2014 at a price of 172.0p at a discount of just over 9.5%. These become exercisable for a six month period from 1 December 2014 and 1 December 2017 respectively. There are no performance criteria attached to the exercise of these options which are normally capable of exercise up to six months after the third anniversary of the Sharesave contract commencement date. The right to exercise options terminates if a participating employee leaves the Group, subject to certain exceptions.

	Options outstanding at 31 December 2013	Options granted	Options lapsed	Options exercised	**Options outstanding at 31 December 2014**
October 2011 grant	804,365	—	8,442	698,799	**97,124**
October 2014 grant	—	1,155,814	7,952	—	**1,147,862**

The weighted average share price at the date of exercise for share options exercised during the period was 185.31p (2013: 184.28p).

(b) The Henry Boot 2006 Long-Term Incentive Plan
This plan was approved by shareholders at an EGM held on 20 July 2006. Details of the Plan and the vesting requirements are also set out in the Directors' Remuneration Report on page 73.

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

	2014 Number	2013 Number
Share options granted at 1 January	**1,559,582**	1,755,068
Lapses of share options in year	**(419,389)**	(251,133)
Awards of shares in year	**(386,850)**	(283,132)
Share options granted in year	**539,935**	338,779
Share options granted at 31 December	**1,293,278**	1,559,582

The weighted average share price at the date of exercise for share options exercised during the period was 196.50p (2013: 171.41p).

30. Share capital continued

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

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

	Options outstanding at 31 December 2013	Options granted	Options lapsed	Options exercised	**Options outstanding at 31 December 2014**
May 2011 grant	222,478	—	—	158,478	**64,000**
October 2014 grant	—	165,000	—	—	**165,000**

The weighted average share price at the date of exercise for share options exercised during the period was 200.57p (2013: 191.25p).

Fair value

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

	LTIP	CSOP 2011 grant	CSOP 2014 grant	Sharesave 2011	Sharesave 2014
Weighted average exercise price	Nil	121.5p	191.0p	106.0p	172.0p
Weighted average share price	178.4p	121.5p	191.0p	115.5p	181.0p
Expected volatility	31.73% to 32.35%	41.47%	31.17%	37.14%	31.45%
Expected life	3 years	3 years	3 years	3 years	3 years
Risk-free rate	0.31% to 1.26%	1.67%	1.23%	0.86%	0.82%
Expected dividend yield	3.16% to 3.56%	5.02%	3.16%	5.02%	3.16%

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

The weighted average fair value of share options granted during the year was 51.60p (2013: 79.14p).

Expense recognised in the Statement of Comprehensive Income

	2014 £'000	2013 £'000
The total expense recognised in the Statement of Comprehensive Income arising from share-based payment transactions	**423**	429

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

31. Reserves

Group	Property revaluation £'000	Retained earnings £'000	Other: Capital redemption £'000	Share premium £'000	Capital £'000	Hedging £'000	Total other £'000
At 1 January 2013	3,271	160,692	271	3,134	209	(117)	3,497
Profit for the year	—	11,315	—	—	—	—	—
Dividends paid	—	(6,358)	—	—	—	—	—
Movements in fair value of cash flow hedge	—	—	—	—	—	92	92
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	(23)	(23)
Deferred tax on revaluation surplus	84	—	—	—	—	—	—
Arising on employee share schemes	—	199	—	—	—	—	—
Unrecognised actuarial gain	—	8,537	—	—	—	—	—
Deferred tax on actuarial gain	—	(2,447)	—	—	—	—	—
At 31 December 2013	3,355	171,938	271	3,134	209	(48)	3,566
Profit for the year	—	21,169	—	—	—	—	—
Dividends paid	—	(6,886)	—	—	—	—	—
Premium arising from shares issued	—	—	—	817	—	—	817
Movements in fair value of cash flow hedge	—	—	—	—	—	52	52
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	(10)	(10)
Arising on employee share schemes	—	(191)	—	—	—	—	—
Unrecognised actuarial loss	—	(10,458)	—	—	—	—	—
Deferred tax on actuarial loss	—	2,092	—	—	—	—	—
At 31 December 2014	**3,355**	**177,664**	**271**	**3,951**	**209**	**(6)**	**4,425**

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Share premium £'000	Capital £'000	Investment revaluation £'000	Total other £'000
At 1 January 2013	41,153	271	3,134	211	1,135	4,751
Profit for the year	11,342	—	—	—	—	—
Dividends paid	(6,358)	—	—	—	—	—
Unrecognised actuarial gain	8,537	—	—	—	—	—
Deferred tax on actuarial gain	(2,447)	—	—	—	—	—
Arising on employee share schemes	72	—	—	—	—	—
At 31 December 2013	52,299	271	3,134	211	1,135	4,751
Profit for the year	8,541	—	—	—	—	—
Dividends paid	(6,886)	—	—	—	—	—
Premium arising from shares issued	—	—	817	—	—	817
Unrecognised actuarial loss	(10,458)	—	—	—	—	—
Deferred tax on actuarial loss	2,092	—	—	—	—	—
Arising on employee share schemes	(332)	—	—	—	—	—
At 31 December 2014	**45,256**	**271**	**3,951**	**211**	**1,135**	**5,568**

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.

31. Reserves continued

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

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

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

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

Investment revaluation reserve
The investment revaluation reserve represents enhancements to the original cost of shares in subsidiary companies where the Directors have considered it appropriate to reflect in the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements were £1,135,000 in 1989 and are not distributable.

32. Cost of shares held by the ESOP trust

Group	2014 £'000	2013 £'000
At 1 January	**188**	444
Additions	**1,010**	—
Disposals	**(648)**	(256)
At 31 December	**550**	188

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 2014, the Trustee held 283,175 shares (2013: 239,832 shares) with a cost of £549,831 (2013: £188,116) and a market value of £552,899 (2013: £479,664). All of these shares were committed to satisfy existing grants by the Company under the 2006 Henry Boot PLC Long-Term Share Incentive Plan, the Henry Boot PLC 2010 Sharesave Scheme and the Henry Boot PLC 2010 Company Share Option Plan. In accordance with IAS 32, these shares are deducted from shareholders' funds. Under the terms of the Trust, the Trustee has waived all but a nominal dividend on the shares it holds.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2014

33. Cash generated from operations

		Group		Parent Company	
	Note	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Profit before tax		28,312	18,377	8,681	11,580
Adjustments for:					
Amortisation of PFI asset	11	1,155	1,140	—	—
Goodwill impairment	11	203	204	—	—
Depreciation of property, plant and equipment	12	3,299	3,086	50	44
Revaluation (increase)/decrease in investment properties	13	(1,950)	1,563	—	—
Amortisation of capitalised letting fees	3	94	88	—	—
Share-based payment expense	4	423	429	282	302
Pension scheme credit		(2,375)	(1,921)	(2,375)	(1,921)
Movements on provision against investments in subsidiaries	14	—	—	(440)	9,652
Movements on provision against loans to subsidiaries		—	—	—	(3,854)
Profit on disposal of assets held for sale	3	(122)	—	—	—
Gain on disposal of property, plant and equipment	3	(459)	(406)	(8)	(10)
Gain on disposal of investment properties		(284)	(304)	—	—
Finance income	5	(714)	(694)	(15,855)	(25,300)
Finance costs	6	1,550	1,526	3,383	3,726
Share of profit of joint ventures	15	(1,187)	(183)	—	—
Operating cash flows before movements in equipment held for hire		27,945	22,905	(6,282)	(5,781)
Purchase of equipment held for hire	12	(3,670)	(3,303)	—	—
Proceeds on disposal of equipment held for hire		580	471	—	—
Operating cash flows before movements in working capital		24,855	20,073	(6,282)	(5,781)
Increase in inventories		(22,366)	(9,106)	—	—
Increase in receivables		(157)	(5,129)	(488)	(2,189)
Increase/(decrease) in payables		12,525	(4,294)	9,297	(11,291)
Cash generated from/(used by) operations		**14,857**	1,544	**2,527**	(19,261)

34. Guarantees and contingencies

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

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

35. Additional information – principal active subsidiaries and joint venture partners

Details of the Company's principal active subsidiaries and joint ventures, all of which are incorporated in England and are consolidated in the Group Financial Statements at 31 December 2014, are as follows:

Subsidiary name	Proportion of ownership	Activity
Banner Plant Limited	100%	Plant hire
First National Housing Trust Limited	100%	Property investment
Hallam Land Management Limited	100%	Land development
Henry Boot Construction Limited	100%	Construction
Henry Boot Developments Limited	100%	Property investment and development
Henry Boot Estates Limited	100%	Property investment
Henry Boot 'K' Limited	100%	Property investment and development
Henry Boot Projects Limited	100%	Property investment and development
Henry Boot Tamworth Limited	100%	Property investment and development
Henry Boot Whittington Limited	100%	Property investment
Investments (North West) Limited	100%	Property development
Road Link (A69) Limited	61.2%	PFI road maintenance
Stonebridge Projects Limited	50%	Property development
Stonebridge Offices Limited	50%	Property investment and development
Winter Ground Limited	100%	Property investment and development

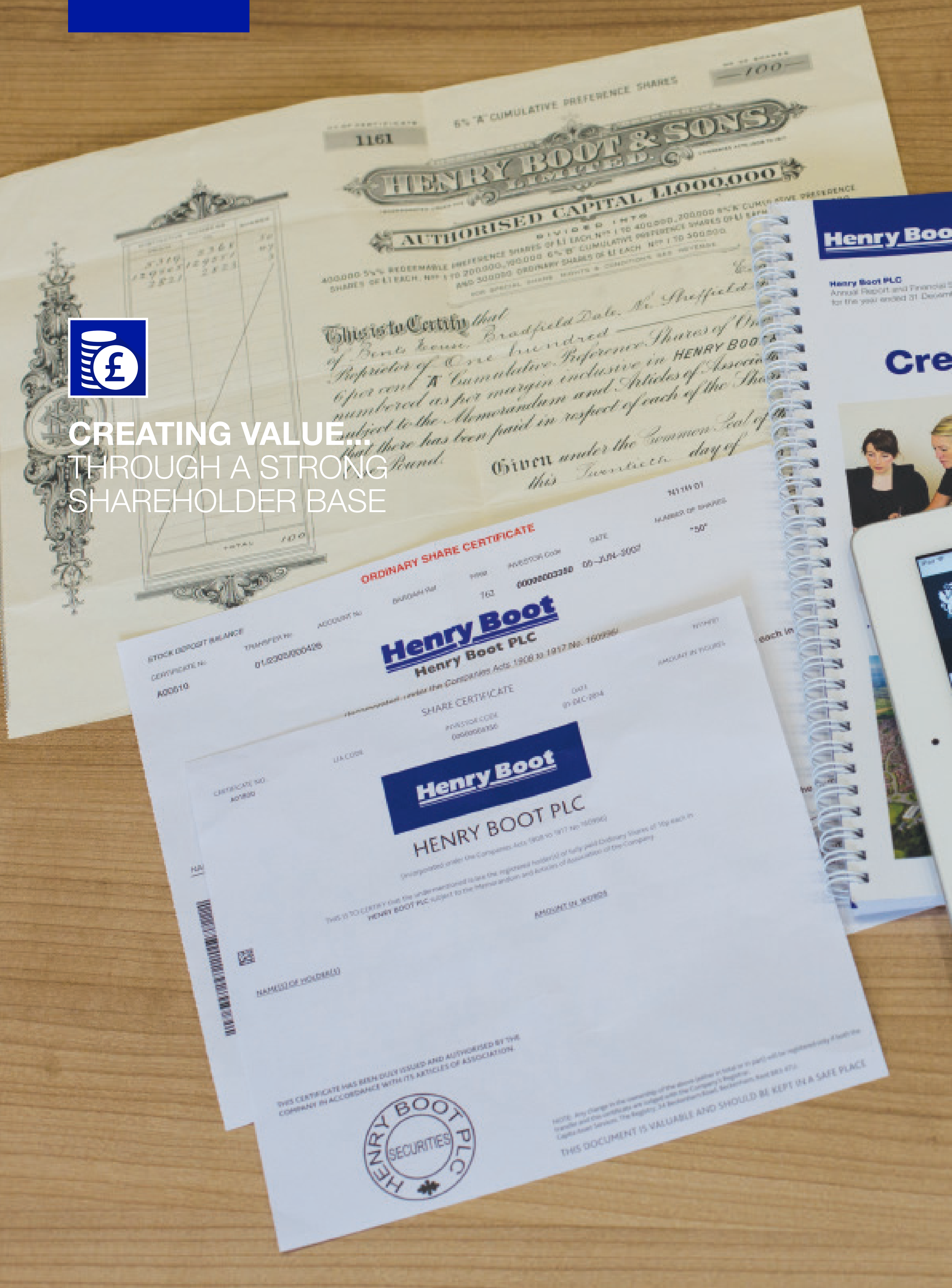
During the previous year the Group acquired 100% of the ordinary share capital of Henry Boot Construction (Harrogate) Limited for £1.5m on 19 March 2013. On 19 March 2013 March Henry Boot Construction (Harrogate) Limited purchased land and buildings at Skipton Road, Harrogate for £1.5m and at the same time entered in to a lease to let the property for a period of six years. On 19 March 2013 Henry Boot Construction Limited entered in to a contract for the redevelopment of said property with the lessee whilst at the same time entering in to a sale and purchase agreement with the lessee for the full ordinary share capital of Henry Boot Construction (Harrogate) Limited. The Group deems that although it owns 100% of the ordinary share capital of Henry Boot Construction (Harrogate) Limited it does not have control of the company and accordingly has not consolidated the company within these Financial Statements.

Joint venture partner	Proportion of ownership	Activity
Pennine Property Partnership LLP	50%	Property investment and development
I-Prop Developments Limited	50%	Property development

Details of all of the Company's subsidiaries and joint ventures can be obtained from the Company Secretary at the registered office address which can be found on the inside back cover.

Henry Boot

CREATING VALUE...
THROUGH A STRONG SHAREHOLDER BASE



04

SHAREHOLDER INFORMATION

PROPERTY VALUERS' REPORT

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

31 December 2014

Dear Sirs

HENRY BOOT PLC
Group property portfolio valuation as at 31 December 2014

In accordance with your written instructions, we have valued the various freehold and leasehold properties held by Henry Boot PLC and its subsidiary companies, for accounts purposes, as at 31 December 2014. The valuations have been prepared in accordance with RICS Valuation – Professional Standards (January 2014) published by the Royal Institution of Chartered Surveyors, in our capacity as External Valuers, on the basis of Market Value. No allowances have been made for expenses of realisation or for taxation that might arise in the event of a disposal and our valuations are expressed as exclusive of any Value Added Tax that may become chargeable. Each property has been considered as if free and clear of all mortgages or other charges which may have been secured thereon. Where appropriate, the properties have been valued subject to and with the benefit of any lettings which have been disclosed.

Having regard to the foregoing we are of the opinion that the aggregate market value of the freehold and leasehold interests owned by Henry Boot PLC and its subsidiaries, as at 31 December 2014, is:

Freehold properties	£96,779,875
Leasehold properties	£6,850,000
Mixed tenure properties	£225,000
Total	**£103,854,875**

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

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

Yours faithfully

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

ADDITIONAL SHAREHOLDER INFORMATION

Following the implementation of the EU Takeover Directive in the UK, the following provides the required relevant information for shareholders where not already provided elsewhere in the Financial Statements. The information below summarises certain provisions of the current Articles of Association of the Company (as adopted by special resolution on 27 May 2011) (the Articles) and applicable English law concerning companies (the Companies Act 2006). This is a summary only and the relevant provisions of the Companies Act 2006 or the Articles should be consulted if further information is required.

Share capital

The Company's issued share capital comprises two classes of shares being, respectively, ordinary shares of 10p each (ordinary shares) and cumulative preference shares of £1 each (preference shares). Further details of the share capital of the Company are set out in note 30 to the Financial Statements. As at 20 March 2015, the ordinary shares represent 97.06% of the total issued share capital of the Company by nominal value and the preference shares represent 2.94% of such total issued share capital. The ordinary shares and the preference shares are in registered form. Both classes of share are admitted to the Official List of the UK Financial Conduct Authority. The Company's ordinary shares are categorised as 'Premium Listed' and its preference shares as 'Standard Listed'. A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing requires compliance with additional requirements set out in the Listing Rules of the UK Financial Conduct Authority.

The Notice of the AGM on pages 144 to 154 includes the following resolutions:

- an ordinary resolution (Resolution 14) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,399,683 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 20 March 2015. The authority will expire on 20 August 2016 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 15) to enable the Directors to continue to allot equity securities for cash in connection with a rights or other issue pro rata to the rights of the existing shareholders, but subject to certain exceptions, and for any other purpose provided that the aggregate nominal value of such allotments does not exceed £660,000 (approximately 5% of the Company's issued ordinary share capital at 20 March 2015). The authority will expire on 20 August 2016 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority; and
- a special resolution (Resolution 16) to renew the authority of the Company to make market purchases of up to 11,055,000 of its own issued ordinary shares (8.38% of the Company's issued ordinary share capital at 20 March 2015). The minimum price that may be paid under the authority for an ordinary share is 10p and the maximum price is limited to not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Directors will exercise the authority only if they are satisfied that it would be likely to result in an increase in expected earnings per share of the ordinary share capital in issue and that any purchase will be in the best interests of shareholders generally. If the Directors do decide to exercise the authority, ordinary shares so acquired will either be cancelled or held as treasury shares, depending upon the circumstances prevailing at the time.

Rights and obligations attaching to shares

Subject to the Companies Act 2006 and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of Directors for the time being of the Company (the Board) may decide. Subject to the Companies Act 2006, the Articles and any resolution of the Company, the Board may deal with any unissued shares as it may decide.

Rights of preference shares

The preference shares carry the following rights in priority to the ordinary shares but carry no further right to participate in profits or assets:

- the right to receive out of the profits of the Company a fixed cumulative preferential dividend at the rate of 5.25% per annum on the capital paid up thereon;
- the right on a return of assets on a winding up to payment of the capital paid up thereon together with a sum calculated at the rate of 6.00% per annum in respect of any period up to the commencement of the winding up for which such preferential dividend as referred to above has not been paid; and
- the right on a return of assets in a reduction of capital to repayment of the capital paid up thereon together with a sum equal to all arrears (if any) of such preferential dividend as referred to above.

ADDITIONAL SHAREHOLDER INFORMATION continued

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 21 May 2015 are set out in the Notice of AGM on pages 152 to 154.

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

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

Transfer of shares
Under and subject to the restrictions in the Articles, any shareholder may transfer all or any of his shares in certificated form by transfer in writing in any usual form or in any other form which the Board may approve. The Board may, save in certain circumstances, refuse to register any transfer of a certificated share not fully paid up. The Board may also refuse to register any transfer of certificated shares unless it is:

- in respect of only one class of shares;
- in favour of no more than four transferees;
- duly stamped or exempt from stamp duty;
- delivered to the office or at such other place as the Board may decide for registration; and
- accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to show the right of the intending transferor to transfer the shares.

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

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

Appointment and replacement of Directors

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three nor more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for reappointment. The Board may appoint one or more Directors to hold any office or employment under the Company for such period (subject to the Companies Acts) and on such terms as it may decide and may revoke or terminate any such appointment. At each AGM any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM, one-third of the Directors who are subject to retirement by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office. In addition, there shall also be required to retire by rotation any Director who at any AGM of the Company shall have been a Director at each of the preceding two AGMs of the Company, provided that he was not appointed or reappointed at either such AGM and he has not otherwise ceased to be a Director and been re-appointed by general meeting of the Company at or since either such AGM.

The Company may, by ordinary resolution of which special notice has been given in accordance with the Companies Acts, remove any Director before his period of office has expired notwithstanding anything in the Articles or in any agreement between him and the Company. A Director may also be removed from office by the service on him of a notice to that effect signed by or on behalf of all the other Directors, being not less than three in number. The office of a Director shall be vacated if:

i. he is prohibited by law from being a Director;

ii. he becomes bankrupt or makes any arrangement or composition with his creditors generally;

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

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

v. he serves on the Company notice of his wish to resign.

Powers of the Directors

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

Takeovers and significant agreements

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

- the Company’s share schemes and plans; and
- bank facilities whereby upon a ‘change of control’ the lenders shall consult with Henry Boot PLC for a period not greater than 30 days (commencing on the date of the change of control) to determine whether and on what basis the lenders are prepared to continue the facility.

Information rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to enjoy information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, rather than to the Company’s registrars, Capita Asset Services, or to the Company directly.

NOTICE OF ANNUAL GENERAL MEETING

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

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

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting (AGM) of Henry Boot PLC (Company) will be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 21 May 2015 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 2014.

Resolution 2

To declare a final dividend of 3.50p per ordinary share.

Resolution 3

To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration policy) for the year ended 31 December 2014.

Resolution 4

To approve the Directors' Remuneration policy contained in the Directors' Remuneration Report for the year ended 31 December 2014.

Resolution 5

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

Resolution 6

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

Resolution 7

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

Resolution 8

To reappoint M I Gunston as a Director of the Company.

Resolution 9

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

Resolution 10

To reappoint PricewaterhouseCoopers LLP as auditors of the Company.

Resolution 11

To authorise the Directors to fix the auditors' remuneration.

Resolution 12

THAT the rules of the Henry Boot PLC Long Term Incentive Plan 2015 (LTIP), the principal terms of which are summarised in the Appendix to this Notice of AGM and a copy of which having been produced to the meeting and initialled by the Chairman for the purpose of identification, be and are hereby approved, the LTIP be and is hereby adopted and the Directors of the Company be and they are hereby authorised to do all acts and things which they may consider necessary or expedient to give effect to the LTIP.

Resolution 13

THAT the amendments to the rules of the Henry Boot PLC 2010 Schedule 4 Company Share Option Plan (CSOP) shown in the marked-up copy of the rules of the CSOP presented to the meeting and summarised in the explanatory note of this resolution on page 147 of the document of which this Notice of AGM forms part, be and are hereby approved and that the Directors be and they are hereby authorised to do all acts and things necessary to carry such amendments into effect.

Resolution 14

THAT pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £4,399,683, provided that (unless previously revoked, varied or renewed) this authority shall expire on 20 August 2016 or at the conclusion of the next AGM of the Company, whichever is the earlier, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under Section 551 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

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

Resolution 15

THAT subject to the passing of Resolution 14 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 14 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

a. in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

    i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

    ii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

b. otherwise than pursuant to paragraph a. of this resolution, up to an aggregate nominal amount of £660,000,

and (unless previously revoked, varied or renewed) this power shall expire on 20 August 2016 or at the conclusion of the next AGM of the Company, whichever is the earlier, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Section 570 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

NOTICE OF ANNUAL GENERAL MEETING continued

Resolution 16

THAT pursuant to Section 701 of the Companies Act 2006, the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 10p each in the capital of the Company (ordinary shares) provided that:

a. the maximum aggregate number of ordinary shares hereby authorised to be purchased is 11,055,000;

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

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

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

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

d. the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 20 August 2016; and

e. the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.

By order of the Board

R A Deards
Company Secretary
17 April 2015

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

Explanatory notes about resolutions 4, 12 and 13 which we will be proposing at the AGM

Resolution 4: Approval of the Directors' Remuneration policy

The Company obtained shareholder approval for its Directors' Remuneration policy at its AGM in May 2014 and whilst it would not normally need to seek fresh approval from its shareholders for its Remuneration policy until its AGM in 2017, the adoption of the new long term incentive plan, which is the subject of a separate resolution at this year's AGM (a description of which is set out below), means that the Company also needs to propose a new Remuneration policy for its Directors to incorporate the changes to the existing long term incentive plan made by the proposed new long term incentive plan. The key changes to the Remuneration policy are set out in the summary of the proposed new long term incentive plan summarised in the Appendix to this Notice. Approval of the new policy is sought in Resolution 4 and, if approved, the policy will take effect from the end of the AGM and will replace the policy approved by shareholders in May 2014.

Resolution 12: Renewal of the Henry Boot PLC Long Term Incentive Plan

Resolution 12 is an ordinary resolution seeking the approval of shareholders to adopt a new long term incentive plan to replace the Company's existing long term incentive plan which expires in 2016.

The existing long term incentive plan was originally adopted in July 2006 for a period of ten years and therefore expires, and no further awards can be made under it, after July 2016. Shareholder approval is now sought to adopt a replacement ten year long term incentive plan. The new long term incentive plan will be similar to the existing plan, but will reflect current institutional guidelines and market practice, for example in relation to change of control provisions, and will include malus and clawback provisions under which awards may be reduced or taken back in whole or part if there has been any material misstatement of accounts or misconduct by the participant in question. In the case of performance targets, it is proposed that, as now, these will continue to be determined by the Remuneration Committee on an annual basis. Full disclosure of the performance targets used are set out in the Company's Annual Report and Financial Statements. The Remuneration Committee is committed to ensuring that performance targets remain suitably challenging, as detailed on page 147 of the Directors' Remuneration Report, which was overwhelmingly approved by shareholders at the AGM held on 22 May 2014. Assuming shareholder approval is given for the new long term incentive plan, no further awards will be granted under the existing plan.

A summary of the principal terms of the proposed LTIP is set out in the Appendix to this Notice.

Resolution 13: Amendment of the Henry Boot PLC 2010 Schedule 4 Company Share Option Plan

In 2010, the shareholders of the Company approved the adoption by the Company of an HMRC approved company share option plan (now called a Schedule 4 CSOP Scheme) (CSOP) under which employees and full-time Directors can be granted tax-efficient options to acquire ordinary shares in the Company (shares) at an exercise price equal to the market value of a share at the date of grant. In accordance with the Schedule 4 CSOP Scheme legislation, an individual may only hold outstanding Schedule 4 CSOP Scheme options over a maximum of £30,000 of shares (such value being measured at the date of grant) at any one time. It is proposed to amend the CSOP to allow non-tax-advantaged options to be granted in excess of this £30,000 limit, up to a maximum of 200% of annual basic salary. In all other respects, the rules of the CSOP will remain the same.

A copy of the proposed rules of the LTIP, and of the rules of the CSOP marked up to show the proposed amendments, will be available for inspection at the registered office of the Company and at the offices of DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE during usual business hours on weekdays (public holidays excluded) from the date of this Notice until the date of the AGM and at the place of the AGM from at least 15 minutes prior to and until the conclusion of the AGM.

NOTICE OF ANNUAL GENERAL MEETING continued

Appendix - Key features of the long term incentive plan 2015 (LTIP)

1. Overview

Under the LTIP, employees and full-time Directors may be awarded rights to acquire ordinary shares in the capital of the Company (Shares) subject to the achievement of performance conditions.

The LTIP will replace the existing Henry Boot PLC Long Term Incentive Plan which expires in July 2016 and no further awards will be made under that plan following the approval of shareholders to the LTIP.

Operation of the LTIP will be facilitated by the Henry Boot & Sons PLC Employee Trust (EBT) established by the Company on 23 July 1990. The LTIP will be administered by the Remuneration Committee of the Company (Remuneration Committee) which will make awards under the LTIP, and it is intended that the EBT will satisfy such awards using Shares which it will either subscribe for from the Company or purchase in the market. The Trustee of the EBT is Moore Street Securities Limited, a subsidiary of Henry Boot PLC, of which the directors are J E Brown, J T Sutcliffe and R A Deards.

2. Participation and grant of awards

All employees and all full-time Directors are eligible to be considered for the grant of awards under the LTIP. Awards will take the form of nominal cost options (Options) which will become exercisable (vest) subject to the achievement of performance criteria.

Generally, Options may only be granted in the six week period following the adoption of the LTIP and thereafter, only in the six week period following the announcement by the Company of its results for any period. However, in circumstances which the Remuneration Committee considers exceptional, awards may be made outside these six week periods.

3. Individual participation limit

The maximum value of Shares over which an Option under the LTIP may be granted to a participant (Participant) in any financial year of the Company may not exceed 200% of his basic salary for that financial year (or for the preceding financial year, if greater) unless circumstances arise which the Remuneration Committee believes justifies granting an Option in excess of this limit. The Remuneration Committee would only envisage overriding the 200% in limit in exceptional circumstances such as where there was a need to do so to attract a new executive. However, notwithstanding the 200% participation limit in the rules of the LTIP, the current intention is for Options to remain within the existing policy limit of 100% of basic salary as stated in the Directors' Remuneration Report of the Company's Annual Report and Financial Statements.

4. Performance targets

For Options granted in 2014 under the existing long term incentive plan, the Remuneration Committee adopted new performance targets pursuant to which one-third of the 2014 awards will vest based on profit growth, one-third based on comparative TSR and one-third based on ROCE growth. Details are set out in the Directors' Remuneration policy section of the Directors' Remuneration Report in the Company's Annual Report and Financial Statements. The Remuneration Committee intends to utilise those performance targets for awards to be made in the current financial year and for future awards. Shareholder approval will be sought for any change to this policy which may be proposed prior to the next occasion on which shareholders will vote generally on the Directors' Remuneration policy.

To the extent that any specified performance conditions are not satisfied, Options will lapse.

The Remuneration Committee retains discretion to amend the performance targets attached to Options where events happen or circumstances arise which cause the Remuneration Committee reasonably to consider that any performance targets which apply no longer represent a fair measure of performance.

5. Exercise of Options and retention of shares

Options will normally vest no earlier than three years from the date of grant, subject to the achievement of performance conditions and to continued employment.

An Option will normally only be exercisable to the extent vested and, once vested, it will normally remain exercisable for up to ten years from the date of grant, at the end of which period it will lapse.

Notwithstanding vesting of an Option, and subject to a relaxation to enable the sale of such number of Shares as may be required to meet any tax liability arising on exercise, and subject to certain other limited exceptions, Participants will be required to retain any Options that vest, or retain Shares acquired on exercise of vested Options, for a period of two years after the vesting date. Leavers will also, in principle, be subject to the same retention requirement, although the Remuneration Committee will have discretion to determine that the retention requirement shall not apply, or shall apply for a shorter period.

6. Cessation of employment
Participants who leave employment with Henry Boot PLC Group (Group) will normally forfeit any unvested Options.

However, if a Participant ceases to be employed within the Group as a result of death, ill health, injury or disability, redundancy, retirement or by reason only that his employment is in a company of which the Company will cease to have control or that his employment relates to a part of the business which is transferred to a person which is not a member of the Group (good leaver), that Participant (or his personal representatives if he has died) will be allowed to retain his unvested Options which will vest, subject to the achievement of any applicable performance conditions, on the normal date as if that Participant had continued in employment within the Group. However, the number of Shares in respect of which the Option will vest will then be reduced on a pro rata basis to take account of the period of time since the date of grant during which the Participant was not an employee (unless the Remuneration Committee determines not to apply such pro-rating and to allow vesting to a greater or lesser extent).

Notwithstanding this, the Remuneration Committee may instead determine that an Option granted to a good leaver may vest early when he leaves, to the extent to which, at the date of cessation of employment, the performance conditions applicable to that Option have been satisfied (as determined by the Remuneration Committee acting reasonably), and on a pro rata basis taking into account the period of time which has elapsed since the Option was granted (unless the Remuneration Committee determines not to apply such pro-rating and to allow vesting to a greater or lesser extent).

To the extent that Options held by a good leaver have vested or vest, they may be exercised for a period of six months (or 12 months in the case of death) following the date of cessation of employment, or following vesting if later, (or such longer period as the Remuneration Committee determines) and will otherwise lapse at the end of that period.

A Participant who leaves for a reason other than one specified above will normally forfeit his unvested Options, unless the Remuneration Committee in its discretion determines to treat such Participant as if he were a good leaver. Participants who are dismissed for gross misconduct will forfeit all unexercised Options, whether vested or unvested.

The malus and clawback provisions summarised below will also apply to leavers.

7. Takeover
If there is a change of control of the Company, or a Court-sanctioned compromise or arrangement, or a voluntary winding up, Options will vest early. The number of Shares in respect of which Options will vest will be calculated on the basis of the extent to which the performance conditions applicable to those Options have been satisfied as at the date of the change of control (or other event). The resulting number of Shares will then be reduced on a pro rata basis to reflect the reduced period between the date the Option was granted and the date of the change of control (or other event), unless the Remuneration Committee decides otherwise.

Where appropriate, for example in the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company, Participants may be required or allowed to exchange Options so as to operate over shares in the acquiring company.

On the occurrence of any demerger, reorganisation, reconstruction or amalgamation or other transaction of the Company which in the reasonable opinion of the Remuneration Committee may affect the value of any Option, the Remuneration Committee may vary or alter in any manner whatsoever the terms of any Option so as to preserve the overall value of the Option. Such alteration may include amending any performance condition and/or the terms on which an Option vests, and may provide for immediate vesting in whole or in part on such event (but in the latter case taking into account the extent to which any applicable performance conditions have been satisfied at the time of such event and the period of time since the grant of the Option).

8. Dividend equivalent
On vesting of Options, Participants may be awarded additional Shares or cash equal in value/amount to dividends paid during the performance period in respect of a number of Shares equal to the number in respect of which the Option has vested.

9. Malus and clawback
Awards may be granted on terms that the Remuneration Committee may decide at the time of vesting or exercise of an Option, or at any time before, that the number of Shares subject to the Option shall be reduced on such basis as it

NOTICE OF ANNUAL GENERAL MEETING continued

determines to be fair and reasonable, if it determines that there has been a material misstatement in the audited accounts of any company within the Group or in the consolidated accounts of the Company, or that the assessment of any performance condition applicable to that Option was based on a material error, 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.

In addition, awards may be granted on terms that the Remuneration Committee may apply clawback to all or a part of a Participant's Option in the circumstances set out above during the period of two years (or such other period not exceeding two years as the Remuneration Committee may determine) following vesting of the Option. Clawback may be effected by requiring the transfer of Shares or payment of net proceeds of sale of Shares acquired on vesting/exercise.

10. Dilution limits

The number of new Shares over which awards may be granted under all of the discretionary plans operated by the Company, including any awards made under the LTIP, may not, in any ten year period, exceed 5% of the number of Shares in issue from time to time. In addition, in any ten year period, no more than 10% of the Company's issued Shares may be committed under all employee share plans operated by the Company.

For so long as institutional guidelines recommend, Shares transferred from treasury to satisfy awards will count as newly issued shares for these purposes.

Awards and options which have lapsed or been surrendered will not count towards these dilution limits.

11. Taxation

Income tax and national insurance contributions (NICs) will be payable on the value of the Shares which a Participant acquires on exercise of an Option. Under the terms of the Plan, Participants agree to pay the income tax and NICs which arise. To the extent permitted by law, such NICs may include employer NICs. It will be a condition of acquiring Shares that appropriate arrangements are in place to ensure that the Participant's employer is put in funds by the Participant to meet these income tax and NICs liabilities.

12. Variation of share capital

In the event of any increase or variation of share capital by way of capitalisation, rights issue, sub division, consolidation or reduction of share capital, or otherwise, the number and/or description of Shares over which an Option has been granted and the Option exercise price may be adjusted by the Remuneration Committee as it determines to be appropriate.

13. Amendment of the LTIP

The terms of the LTIP may be amended by the Remuneration Committee.

However, certain amendments which would benefit Participants may not be made without prior shareholder approval unless the amendments are minor amendments which are to benefit the administration of the LTIP or are necessary or desirable to comply with or take account of applicable legislation or any change therein or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company (or any Group company) or for Participants. An amendment may not normally adversely affect the rights of a Participant except with such Participant's consent.

The provisions which may not generally be amended without shareholder approval are to: the basis for determining an eligible individual's entitlement (or otherwise) to be granted an Option and/or to acquire Shares on the exercise of an Option under the LTIP, the persons to whom an Option may be granted, the individual and overall limits on the number of Shares over which Options may be granted, the price at which Shares may be acquired under an Option, and the adjustment of Options on a variation of share capital.

14. Term of the LTIP

The life of the LTIP will be ten years and no awards may therefore be made more than ten years after the date of the approval of the LTIP by shareholders in general meeting.

15. Pension status
None of the benefits which may be received under the LTIP will be pensionable.

16. Changes To Directors' Remuneration policy in the new LTIP
The introduction of the LTIP will result in the following key changes to the Directors' Remuneration policy as compared to that stated in the Company's 2013 Annual Report & Financial Statements. These are all changes to the policy relating to the long term incentive plan only:

16.1 in the policy table:

- the LTIP rules will permit grants up to 200% of salary (rather than 120%) on an annual basis. However, as noted above, the intention is for awards to remain within the current policy of 100% of salary;
- there will be a two year post-vesting holding period during which employees and Directors will generally not be able to dispose of the Shares acquired on exercise of Options. This will in principle apply to leavers, although the Remuneration Committee will have discretion to determine that the retention requirement shall not apply, or shall apply for a lesser period; and
- malus and clawback provisions will apply as described above, and these will also apply to leavers.

16.2 in relation to the treatment of LTIPs in the table relating to the payment for loss of office policy, the Remuneration Committee will have discretion if they consider it appropriate to allow a good leaver's Options to vest at the time of cessation of employment (on a pro rata basis by reference to performance and time since grant to the date of cessation).

NOTICE OF ANNUAL GENERAL MEETING continued

Notes

1. Only holders of ordinary shares in the Company are entitled to attend and vote at the AGM.
2. The holders of preference shares in the Company are not entitled to attend and vote at the AGM.
3. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00pm on 19 May 2015 (or, if the meeting is adjourned, 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.
4. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

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

   A proxy may only be appointed in accordance with the procedures set out in notes 5 to 7 below and the notes to the form of proxy. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.
5. A form of proxy is enclosed with the notice issued to holders of ordinary shares. When appointing more than one proxy, complete a separate form of proxy in relation to each appointment. Additional forms of proxy may be obtained by photocopying the form of proxy. State clearly on each form of proxy the number of shares in relation to which the proxy is appointed.

   To be valid, a form of proxy must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU, no later than 12.30pm on 19 May 2015 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
6. As an alternative to completing the hard copy form of proxy, a shareholder may appoint a proxy or proxies electronically using the Share Portal service at www.capitashareportal.com. For an electronic proxy appointment to be valid, the appointment must be received by Capita Asset Services no later than 12.30pm on 19 May 2015 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
7. CREST members who wish to appoint a proxy or proxies for the AGM (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which is available at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Asset Services (ID:RA10) no later than 12.30pm on 19 May 2015 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

9. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Companies Act 2006 (Nominated Person):

   a. the Nominated Person may have a right under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

   b. if the Nominated Person has no such right or does not wish to exercise such right, he/she may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

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

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

    Any such request must:

    a. identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement that is being supported;

    b. comply with the requirements set out in note 11 below; and

    c. be received by the Company at least one week before the meeting.

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

    i. it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;

    ii. it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and

    iii. the statement may be dealt with as part of the business of the meeting.

NOTICE OF ANNUAL GENERAL MEETING continued

11. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 10:
    a. may be made either:
        i. in hard copy, by sending it to the Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD; or
        ii. in electronic form, by sending it by email to cosec@henryboot.co.uk. Please state 'Henry Boot PLC: AGM' in the subject line of the email;
    b. must state the full name(s) and address(es) of the shareholder(s); and
    c. where the request is made in hard copy form, it must be signed by the shareholder(s).
12. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Companies Act 2006. The Company must answer any such question unless:
    a. to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;
    b. the answer has already been given on a website in the form of an answer to a question; or
    c. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. The information required by Section 311A of the Companies Act 2006 to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at www.henryboot.co.uk.
14. Except as expressly provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:
    a. telephone 0114 255 5444; or
    b. email to cosec@henryboot.co.uk.

    No other methods of communication will be accepted.
15. As at 2 April 2015 (being the last practicable date before the publication of this notice), the Company's issued ordinary share capital was 131,990,492 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 2014:
26 March 2015

First 2015 Interim Management Statement:
early May 2015

Half-yearly Results 2015:
28 August 2015

Second 2015 Interim Management Statement:
mid November 2015

Trading Update 2015:
end January 2016

ANNUAL REPORT AND FINANCIAL STATEMENTS 2014 AND HALF-YEARLY REPORT 2015
Annual Report and Financial Statements 2014 (Available and online):
by 17 April 2015

Half-yearly Report 2015 (Available and online):
early September 2015

ANNUAL GENERAL MEETING
21 May 2015

DIVIDENDS PAID ON ORDINARY SHARES
2014 Final dividend date (Subject to approval at AGM):
29 May 2015

2015 Interim dividend date (Subject to approval):
end October 2015

ADVISERS

Chartered Accountants and Statutory Auditors
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Sheffield S1 2LE

Bankers
Barclays Bank PLC
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121 Norfolk Street
Sheffield S1 2JW

Lloyds Bank plc
14 Church Street
Sheffield S1 1HP

The Royal Bank of Scotland plc
2 Whitehall Quay
Leeds LS1 4HR

Corporate Finance
KPMG Corporate Finance
1 The Embankment
Neville Street
Leeds LS1 4DW

Financial PR
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Regency Court
68 Caroline Street
Birmingham B3 1UG

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

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

Stockbrokers
Investec Bank plc
2 Gresham Street
London EC2V 7QP

GLOSSARY

We have used some terms in this report to explain how we run our business that might be unfamiliar to you. The following list gives a definition for some of the more frequently used terms:

Commercial property
This refers to buildings or land intended to generate a profit, either from capital gain or rental income, such as office building, industrial property, retail stores, etc.

Disclosure and Transparency Rules (DTR)
Issued by the United Kingdom Listing Authority.

Dividend
A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders.

Gearing
Net debt expressed as a percentage of equity shareholders' funds.

Earnings per share (EPS)
Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.

IAS
International Accounting Standard

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standard

Inventory value
The determination of the cost of unsold inventory at the end of the accounting period.

LIBOR
The London Interbank Offered Rate is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market (or interbank market).

Localism Bill
A bill to devolve greater powers to councils and neighbourhoods and give local communities more control over housing and planning decisions.

Net asset value per share (NAV)
Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.

Operating profit
Profit earned from a company's core activities.

Option Agreement
A legal agreement between a landowner and another party for the right to buy land within a set time scale at the conclusion of a satisfactory planning permission.

Ordinary share
Any shares that are not preferred shares and do not have any predetermined dividend amounts. An ordinary share represents equity ownership in a company and entitles the owner to a vote in matters put before shareholders in proportion to their percentage ownership in the company.

Planning Promotion Agreement (PPA)
A legal agreement between a landowner and another party for a set time scale and financial consideration to promote land through the UK planning system.

Pre-let
A lease signed with a tenant prior to completion of a development.

PFI contract
A Private Finance Initiative contract is a contract between a public body and a private company and involves the private sector making capital investment in the assets required to deliver improved services. They are typified by long contract lengths, often 30 years or more.

Renewable energy
Energy which comes from natural resources such as sunlight, wind, rain, tides, waves and geothermal heat, which are naturally replenished.

Retail Price Index (RPI)/Retail Price Index 'Jevons' (RPIJ)/ Consumer Price Index (CPI)
Monthly inflation indicators based on different 'basket' of products issued by the Office of National Statistics

Return on capital employed (ROCE)
A financial ratio that measures a company's profitability and the efficiency with which its capital is employed.

Subsidiary company
A company whose voting stock is more than 50% controlled by another company, usually referred to as the parent company or holding company. A subsidiary is a company that is partly or completely owned by another company that holds a controlling interest in the subsidiary company.

Total shareholder return (TSR)
Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.

Trading profit
The difference between an organisation's sales revenue and the cost of goods sold.

UK Planning System
This system consists of the process of managing the development of land and buildings. The purposes of this process are to save what is best of our heritage and improve the infrastructure upon which we depend for a civilised existence.

GROUP CONTACT INFORMATION

Land Development

Hallam Land Management Limited
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w: www.hallamland.co.uk

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Property Investment and Development

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

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Further copies of the 2014
Annual Report and Financial Statements may be obtained
from the Company Secretary.

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PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE