

# HENRY BOOT PLC

## UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

Henry Boot PLC ('Henry Boot', 'the Company' or 'the Group') (Ticker: BHY: Main market premium listing: FTSE: construction & materials), a company engaged in land development, property investment and development, and construction, announces its preliminary results for the year ended 31 December 2014.

### 2014 KEY FINANCIAL HIGHLIGHTS

- Profit before tax increased 54% to £28.3m (2013: £18.4m)
- Earnings per share increased 88% to 16.2p (2013: 8.6p)
- Proposed final dividend of 3.50p (2013: 3.15p), giving a total for the year of 5.60p (2013: 5.10p), a 9.8% increase
- 74% total shareholder return over the last three years
- Net asset value per share of 152p (2013: 148p)
- Gearing reduced to 18% (2013: 19%), though net debt increased slightly to £36.4m (2013: £36.1m)
- Strategic land acreage now 9,985 acres (2013: 9,723 acres)

### Commenting on the results, Chairman John Brown said:

"I am delighted to report another year of strong results for our Group. It is also pleasing to report that all of the businesses within the Group performed well in their market segment."

"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."

"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 our strategic goal, well into the future."

### For further information, please contact:

#### Henry Boot PLC

Jamie Boot, Group Managing Director  
John Sutcliffe, Group Finance Director  
Tel: 0114 255 5444  
[www.henryboot.co.uk](http://www.henryboot.co.uk)

#### Investec Bank plc

Garry Levin  
Tel: 020 7597 5000

#### TooleyStreet Communications

Fiona Tooley  
Mobile: 07785 703523  
Tel: 0121 309 0099

## CHAIRMAN'S STATEMENT

### 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 our 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

26 March 2015

## **OPERATIONAL REVIEW**

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.

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.

## **LAND DEVELOPMENT REVIEW**

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 Section 106 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.

## **PROPERTY INVESTMENT AND DEVELOPMENT REVIEW**

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.

## **CONSTRUCTION REVIEW**

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 Bifranghi 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 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 £4.4m 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.

## **FINANCIAL REVIEW**

### **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.

### **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.

### **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).

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 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.

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

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

to owners of the Parent Company during the year

Diluted earnings per ordinary share for the profit attributable

to owners of the Parent Company during the year

15.9p

8.5p

## UNAUDITED STATEMENTS OF FINANCIAL POSITION

at 31 December 2014

	Group	
	2014	2013
	£'000	£'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	6,733	7,994
Property, plant and equipment	19,086	17,354
Investment properties	141,560	132,394
Investment in joint ventures	1,367	180
Trade and other receivables	4,837	12,686
Deferred tax assets	7,123	5,411
	<b>180,706</b>	<b>176,019</b>
<b>Current assets</b>		
Inventories	117,457	91,013
Trade and other receivables	50,065	43,103
Cash and cash equivalents	4,347	15,587
	<b>171,869</b>	<b>149,703</b>
Assets classified as held for sale	260	10,511
	<b>172,129</b>	<b>160,214</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	68,833	50,171
Current tax liabilities	1,976	2,505
Borrowings	31,969	46,492
Provisions	4,322	7,147
	<b>107,100</b>	<b>106,315</b>
<b>NET CURRENT ASSETS</b>	<b>65,029</b>	<b>53,899</b>
<b>Non-current liabilities</b>		
Trade and other payables	3,139	4,840
Borrowings	8,779	5,207
Retirement benefit obligations	28,158	20,075
Provisions	5,185	6,312
	<b>45,261</b>	<b>36,434</b>
<b>NET ASSETS</b>	<b>200,474</b>	<b>193,484</b>
<b>EQUITY</b>		
Share capital	13,592	13,510
Property revaluation reserve	3,355	3,355
Retained earnings	177,664	171,938
Other reserves	4,425	3,566
Cost of shares held by ESOP trust	(550)	(188)
<b>Equity attributable to owners of the Parent Company</b>	<b>198,486</b>	<b>192,181</b>
Non-controlling interests	1,988	1,303
<b>TOTAL EQUITY</b>	<b>200,474</b>	<b>193,484</b>

## UNAUDITED STATEMENTS OF CHANGES IN EQUITY

at 31 December 2014

	Attributable to owners of the Parent Company							Total equity
	Share capital	Property revaluation reserve	Retained earnings	Other reserves	Cost of shares held by ESOP trust	Total	Non-controlling interests	
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2013	13,510	3,271	160,692	3,497	(444)	180,526	1,377	181,903
Profit for the year	—	—	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	—	—	(6,358)	—	—	(6,358)	(2,037)	(8,395)
Proceeds on disposal of treasury shares	—	—	—	—	26	26	—	26
Share-based payments	—	—	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	—	—	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	—	—	(6,886)	—	—	(6,886)	(1,674)	(8,560)
Proceeds from shares issued	82	—	—	817	—	899	—	899
Proceeds on disposal of treasury shares	—	—	—	—	34	34	—	34
Purchase of treasury shares	—	—	—	—	(1,010)	(1,010)	—	(1,010)
Share-based payments	—	—	(191)	—	614	423	—	423
	82	—	(7,077)	817	(362)	(6,540)	(1,674)	(8,214)
<b>At 31 December 2014</b>	<b>13,592</b>	<b>3,355</b>	<b>177,664</b>	<b>4,425</b>	<b>(550)</b>	<b>198,486</b>	<b>1,988</b>	<b>200,474</b>

## UNAUDITED STATEMENTS OF CASH FLOWS

for the year ended 31 December 2014

	Group	
	2014	2013
	£'000	£'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	14,857	1,544
Interest paid	(1,172)	(1,152)
Tax paid	(4,975)	(1,984)
Net cash flows from operating activities	8,710	(1,592)
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(97)	(186)
Purchase of property, plant and equipment	(1,704)	(793)
Purchase of investment property	(15,649)	(6,417)
Proceeds on disposal of property, plant and equipment	222	153
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	—	25
Interest received	336	290
Net cash flows from investing activities	(297)	(4,259)
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	899	—
Purchase of treasury shares	(1,010)	—
Proceeds on disposal of treasury shares	34	26
Decrease in borrowings	(40,564)	(12,937)
Increase in borrowings	29,548	39,326
Dividends paid – ordinary shares	(6,865)	(6,337)
– non-controlling interests	(1,674)	(2,037)
– preference shares	(21)	(21)
Net cash flows from financing activities	(19,653)	18,020
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,240)</b>	<b>12,169</b>
Net cash and cash equivalents at beginning of year	15,587	3,418
<b>Net cash and cash equivalents at end of year</b>	<b>4,347</b>	<b>15,587</b>
<b>Analysis of net debt:</b>		
Cash and cash equivalents	4,347	15,587
Bank loans	(33,096)	(48,746)
Government loans	(7,652)	(2,953)
<b>Net debt</b>	<b>(36,401)</b>	<b>(36,112)</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

## 1. Basis of preparation

This financial information has 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. It has 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 same accounting policies and methods of computation are followed as in the latest published audited accounts for the year ended 31 December 2013, which are available on the Group's website at [www.henryboot.co.uk](http://www.henryboot.co.uk), except for as described below:

The following standards, amendments and interpretations to existing standards are mandatory for the first time for the financial year ending 31 December 2014:

		Effective from
IAS 27 (issued 2011)	'Separate Financial Statements'	1 January 2013 <sup>#</sup>
IAS 28 (issued 2011)	'Investments in Associates and Joint Ventures'	1 January 2013 <sup>#</sup>
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 <sup>#</sup>
IFRS 10, IFRS 11 and IFRS 12 (amended 2012)	'Transition Guidance'	1 January 2013 <sup>#</sup>
IFRS 10, IFRS 12 and IAS 27 (amended 2012)	'Investment Entities'	1 January 2014
IFRS 11 (issued 2011)	'Joint Arrangements'	1 January 2013 <sup>#</sup>
IFRS 12 (issued 2011)	'Disclosures of Interests in Other Entities'	1 January 2013 <sup>#</sup>
IFRIC 21 (interpretation 2013)	'Levies'	1 January 2014

<sup>#</sup> 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 new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

The preliminary results for the year ended 31 December 2014 are unaudited. The financial information set out in this announcement does not constitute the Group's IFRS statutory accounts for the years ended 31 December 2014 or 31 December 2013 as defined by Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2013 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, reported on those accounts and their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2014 will be finalised on the basis of the financial information presented by the Directors in these preliminary results and will be delivered to the Registrar of Companies following the Annual General Meeting of Henry Boot PLC.

## 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.

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.

	2014					
	Property investment and development	Land development	Construction	Group overheads	Eliminations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						

External sales	25,807	39,032	82,361	—	—	147,200
Inter-segment sales	306	—	5,966	681	(6,953)	—
<b>Total revenue</b>	<b>26,113</b>	<b>39,032</b>	<b>88,327</b>	<b>681</b>	<b>(6,953)</b>	<b>147,200</b>
<b>Operating profit/(loss)</b>	<b>8,740</b>	<b>14,100</b>	<b>9,232</b>	<b>(4,111)</b>	<b>—</b>	<b>27,961</b>
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
<b>Profit/(loss) before tax</b>	<b>4,614</b>	<b>13,093</b>	<b>10,115</b>	<b>8,315</b>	<b>(7,825)</b>	<b>28,312</b>
Tax	254	(2,784)	(2,122)	(158)	—	(4,810)
<b>Profit/(loss) for the year</b>	<b>4,868</b>	<b>10,309</b>	<b>7,993</b>	<b>8,157</b>	<b>(7,825)</b>	<b>23,502</b>
<b>Other information</b>						
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

	Property investment and development	Land development	Construction	Group overheads	Eliminations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External sales	37,623	37,655	78,516	—	—	153,794
Inter-segment sales	296	8	3,726	656	(4,686)	—
<b>Total revenue</b>	<b>37,919</b>	<b>37,663</b>	<b>82,242</b>	<b>656</b>	<b>(4,686)</b>	<b>153,794</b>
<b>Operating profit</b>	<b>3,056</b>	<b>11,896</b>	<b>8,180</b>	<b>(4,112)</b>	<b>6</b>	<b>19,026</b>
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
<b>Profit/(loss) before tax</b>	<b>(2,334)</b>	<b>11,140</b>	<b>8,998</b>	<b>17,407</b>	<b>(16,834)</b>	<b>18,377</b>
Tax	(173)	(2,587)	(2,228)	(150)	(5)	(5,143)
<b>Profit/(loss) for the year</b>	<b>(2,507)</b>	<b>8,553</b>	<b>6,770</b>	<b>17,257</b>	<b>(16,839)</b>	<b>13,234</b>
<b>Other information</b>						
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
Increase in fair value of investment properties	1,563	—	—	—	—	1,563
Provisions	(1)	157	1,116	—	—	1,272
Pension scheme credit	—	—	—	(1,921)	—	(1,921)

2014

2013

£'000

£'000

	2014	2013
	£'000	£'000
<b>Segment assets</b>		
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
	<b>341,364</b>	<b>315,235</b>
Unallocated assets		
Deferred tax assets	7,123	5,411
Cash and cash equivalents	4,347	15,587
<b>Total assets</b>	<b>352,834</b>	<b>336,233</b>
<b>Segment liabilities</b>		
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

	<b>81,478</b>	68,470
<b>Unallocated liabilities</b>		
Current tax liabilities	<b>1,976</b>	2,505
Current borrowings	<b>31,969</b>	46,492
Non-current borrowings	<b>8,779</b>	5,207
Retirement benefit obligations	<b>28,158</b>	20,075
<b>Total liabilities</b>	<b>152,360</b>	142,749
<b>Total net assets</b>	<b>200,474</b>	193,484

### 3. Dividends

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

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

Explanation of the fair value hierarchy:

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

market data.

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

**Class**

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

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

5. **Cash generated from operations**

	Group	
	2014	2013
	£'000	£'000
Profit before tax	28,312	18,377
Adjustments for:		
Amortisation of PFI asset	1,155	1,140
Goodwill impairment	203	204
Depreciation of property, plant and equipment	3,299	3,086
Revaluation (increase)/decrease in investment properties	(1,950)	1,563
Amortisation of capitalised letting fees	94	88
Share-based payment expense	423	429
Pension scheme credit	(2,375)	(1,921)
Profit on disposal of assets held for sale	(122)	—
Gain on disposal of property, plant and equipment	(459)	(406)
Gain on disposal of investment properties	(284)	(304)
Finance income	(714)	(694)
Finance costs	1,550	1,526
Share of profit of joint ventures	(1,187)	(183)
Operating cash flows before movements in equipment held for hire	27,945	22,905
Purchase of equipment held for hire	(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
Increase in inventories	(22,366)	(9,106)
Decrease in receivables	(157)	(5,129)
Increase/(decrease) in payables	12,525	(4,294)
<b>Cash generated from operations</b>	<b>14,857</b>	<b>1,544</b>

- These preliminary results were approved by the Board of Directors and authorised for issue on 25 March 2015.
- The 2014 Annual Report and Financial Statements is to be published on the Company's website at [www.henryboot.co.uk](http://www.henryboot.co.uk) and sent out to those shareholders who have elected to continue to receive paper communications by no later than Friday 17 April 2015. Copies will be available from The Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD.
- The Annual General Meeting of the Company is to be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 21 May 2015, commencing at 12.30pm.