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Welcome to the Henry Boot Annual Report 2020

OUR PURPOSE

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

ABOUT US

We manage the combined effort and expertise of six primary businesses across three key markets, investing in our future to create long-term value and robust returns for all our stakeholders and partners.

With our uniquely sustainable business model we have built a market-leading Group of Companies that source, develop and deliver across the whole property value-chain.

We have been in business for over 135 years and we are valued for our expertise and forward-thinking approach.

➔ Read more on pages 08 to 09

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



View our online Annual Report at:
henryboot.annualreport2020.com

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

Operations during CV-19

Throughout the pandemic the Group's key priorities have been the safety and welfare of our people, our customers, our supply chain, and the communities in which we operate. In March 2020, the Group paused activity on construction sites and in plant hire depots to ensure the correct safety procedures were installed. Since then, all of the Group's businesses have remained operational, collaborating closely with industry bodies such as the CLC, NFB, CBI and UK Government Ministers to ensure that our services continue safely.

➔ Read more on pages 44 to 45

Our strong position for the future

Our business model is based on transforming land, property and development activities into sustainable, long-term value.

➔ Read more on pages 18 to 21

The following key components of our business give us a strong position for the future:

CULTURE

The Henry Boot Way of doing business



EXPERTISE

Strong presence in markets with long-term drivers



OPPORTUNITY

Strategic focus delivering sustainable growth



STABILITY

Strong financial track record

Our strong position for the future

CULTURE

The Henry Boot Way of doing business



Our people are vital to Henry Boot's long-term success. By upholding a positive and inclusive culture, which is embedded in our day-to-day operations, it enables us to create and maintain long standing relationships with our customers and clients, and the communities we operate in.

How this positions us well for the future:

We believe that a strong culture is crucial to the sustainability of the business. It creates an environment which empowers our people to deliver the Group's strategy, whilst continuing to attract and retain people who support our culture.

46

2020 Employee Net Promoter Score (eNPS)

➔ [Read more on pages 57 to 61](#)

EXPERTISE

Strong presence in markets with long-term drivers

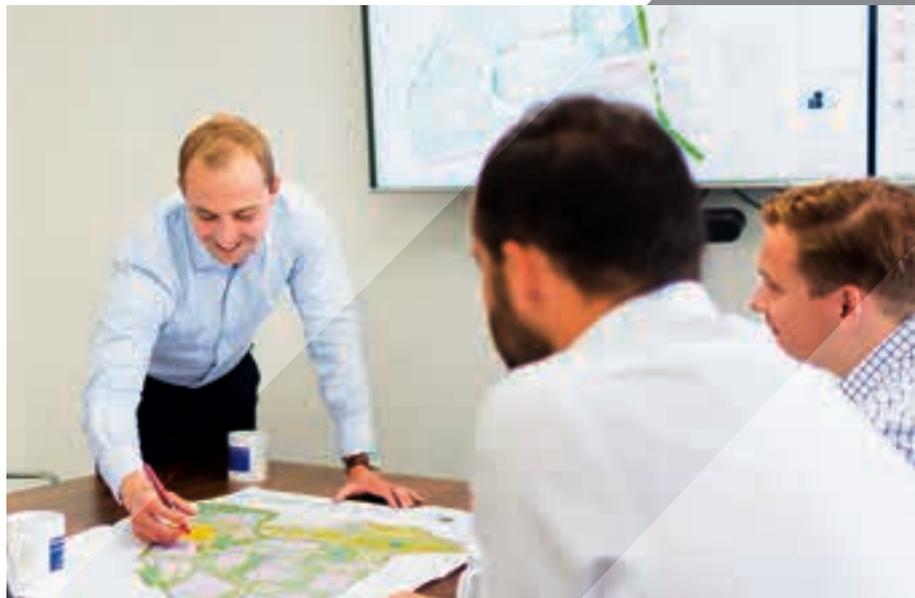
We are focused on sustainable markets: industrial & logistics, residential, and urban development. Despite the short-term implications of the pandemic, we operate in market sectors with strong long-term growth trends. We are involved in multiple sectors which means that we are not overly exposed to one area of the market.

How this positions us well for the future:

We have extensive and embedded operational skills in our key markets, which leaves the business well placed to continue building upon the growing momentum within them.

1,119

plots in Stonebridge Homes land bank, of which 59% have either detailed or outline planning consent



OPPORTUNITY

Strategic focus delivering sustainable growth

We have already secured significant opportunities within our three long-term markets and throughout 2020 the Group continued to grow our store of opportunities. After reviewing the Group's strategy, we also identified key opportunities for development throughout our operations, which will support our strategic focus.

How this positions us well for the future:

Our key markets benefit from structural tailwinds, and with significant opportunities secured and identified, it will support the Group's strategy and ability to deliver now and in the future.

Our strategic land business is capable of delivering

88,070

residential plots



STABILITY

Strong financial track record

We have prudent debt levels and a disciplined approach to risk management. Our strong balance sheet has kept Henry Boot in a good position throughout the pandemic.

How this positions us well for the future:

It allows us to make selective investments in our key markets, ensuring we can grow our development pipeline and continue delivering in the long term.

£1.1bn

Henry Boot Developments development pipeline

➔ Read more on pages 38 to 41



Our Purpose and Culture

Empowering and developing our people sits at the core of our being. This focus shapes our values and behaviours and is also a key aspect of our strategic priorities. Being purpose-led enables us to create long-term value for our stakeholders and ultimately achieve our vision.

➔ Read more about **Our New Strategy** on pages 30 and 31



➔ Read more on our website henryboot.co.uk



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

Living our Values the Henry Boot Way

All our operations are carried out in accordance with our six key values: Respect, Integrity, Loyalty, Delivery, Adaptability and Collaboration. Throughout the past 12 months in particular, these values have been imperative to our success, and our people continue to live by them in both their individual and collaborative roles.



Respect

Throughout the pandemic, the Henry Boot Group has been highly committed to achieving a safe and adapted workspace for us all. They have achieved this by limiting the amount of people allowed into the offices and having rigorous cleaning routines. They have provided and implemented the wearing of PPE and installing screens to separate desks.

Most employees are working from home, and the Group has recognised the challenges we have faced.



Joanna Batten

Buyer –
Henry Boot
Construction
Limited



Integrity

As a result of CV-19, the business had to quickly adapt to revised working practices. In early 2020 a Coronavirus Committee was formed, and has continued to develop and implement measures in line with Government guidance.

Following a brief pause in March, site operations quickly resumed working to the Henry Boot and CLC Site Operative Procedures (SOP). Recovery plans, emergency protocols and Office Operating Procedures have been developed to ensure we have robust protection measures in place at all our sites, depots and offices.



Richard Grafton

Head of Policy
& Compliance
– Henry Boot
Construction
Limited



Loyalty

Loyalty to our people, partners, communities and the environments we work in has never been more important and we have worked hard to demonstrate our enduring commitment to everyone we work with. We have adapted and strengthened our charitable support to focus on the efforts made by our charity partners to support communities to respond to the challenges of the CV-19 pandemic. We recognise that our partners and communities have had to respond to rapidly changing circumstances in recent months, and we hope we have demonstrated to them that our loyalty is one thing that hasn't changed.



Jack Kidder

Responsible
Business
Manager –
Henry Boot PLC



Delivery

During CV-19, various apprenticeships and courses have been undertaken by a number of employees from all companies within the Henry Boot Group, many of whom have achieved qualifications during the past year.

Henry Boot remains committed to supporting the development of its people, and this position hasn't changed despite the current situation. The success of the business has always been, and continues to be, dependent on its people, and this is recognised across all subsidiaries within the Group.



Craig Brown

Apprentice
& Learning
Advisor – Henry
Boot PLC



Adaptability

From quickly convening a Coronavirus Committee featuring representatives across the Group, to activating our business continuity response, altering working protocols, and then reflecting on lessons learned that we could use to improve our working practices – the Group has really risen to the challenges posed by the pandemic. One of the key issues arising out of those lessons learned, and which also links strongly with our Group's commitment to equality, diversity and inclusion, is our forthcoming agile working approach. We have consulted on this issue across the Group, and are formulating the best approach, which we anticipate will trigger further beneficial changes during 2021 and beyond.



Amy Stanbridge

General Counsel
and Company
Secretary –
Henry Boot PLC



Collaboration

In 2020, the International Advanced Manufacturing Park (IAMP) was selected for a temporary NHS Nightingale Hospital. The IAMP was delivered in a joint venture between Sunderland City Council and South Tyneside Council, with Henry Boot Developments as delivery partner.

Henry Boot Developments worked to complete the building ahead of schedule, along with the infrastructure to serve its new function. While we never imagined that The Innovation Centre would start its life as an NHS hospital, as a brand-new, world class building it offered itself as an ideal venue for its new purpose. In partnership with the councils, we adapted to the needs of the time and helped deliver the building in a condensed timeframe for the NHS.



Tom Wheldon

Director –
Henry Boot
Developments

Chairman's Statement



“After an initial pause at the beginning of the pandemic, we began to rebuild momentum and our businesses made good progress towards recovery in the second half of the year.”

Jamie Boot
Chairman

INVESTING FOR THE FUTURE

Highlights

I am pleased to announce that Henry Boot delivered a robust set of results, achieving a profit before tax of £17.1m (2019: £49.1m) against the challenging backdrop of a global pandemic, and we maintained our strong financial position throughout 2020, with Net Asset Value per share¹ remaining resilient at 235p (2019: 239p). After making selective investments in the Group's focused three long-term key markets industrial & logistics, residential and urban development, net cash² was preserved at £27.0m (2019: £27.0m), which improved post year-end to £38.5m at 28 February 2021 as a result of land completions and deferred receipts in the land segment. Unsurprisingly, the Group's activity was impacted by COVID-19 (CV-19), which had a material effect on the Group's commercial and financial performance for 2020. However, after an initial pause at the beginning of the pandemic, we began to rebuild momentum and our businesses made good progress towards recovery in the second half of the year. We have had an encouraging start to 2021, showing strong forward sales and a high order book.

As reported in January's trading update, our land promotion business, Hallam Land Management (HLM), continued to trade well, selling 2,000 plots (2019: 3,427) and in H2 disposed of a significant interest

in a joint venture site in the Midlands, which contributed towards the Group's 2020 profit. Henry Boot Developments (Henry Boot Developments) delivered schemes with a Gross Development Value (GDV) of £58m (Henry Boot Developments share £55m) during the year but, in response to the market, reduced its committed programme. Accordingly, having commenced 2020 with a pipeline having a GDV of £315m (Henry Boot Developments share £107m), this fell to £312m (Henry Boot Developments share £85m) by the end of the year. However, we have seen healthy demand for industrial accommodation and expect to grow our committed pipeline over the course of the current year. Stonebridge Homes also saw good demand for its premium houses; however, its growth was affected by slow planning decisions, partly as a result of CV-19. Despite this, the business completed the year ahead of target, having achieved 115 completions (2019: 159). Henry Boot Construction finished the year on 95% of planned site activity, and Banner Plant increased its activity to 95% of year-on-year sales. Road Link (A69) still generated encouraging returns despite seeing a decrease in traffic volumes due to CV-19 travel restrictions.

Our relatively new CEO has undertaken a strategic review, which pleasingly reported that our business model is in good shape, so it is now about evolving our strategy. However, we want to be more explicit about our ambitions to grow, and to have more focus on our three key markets, which benefit from structural tailwinds. We have also identified synergies and efficiencies, plus ways to collaborate across the Group. An important part of the strategy is to formalise and coordinate our approach to Environmental, Social and Governance issues (ESG). 135 Henry Boot, whilst celebrating our 135th anniversary, is phase one of our new ESG strategy.

The Group only utilised the Government's Coronavirus Job Retention Scheme (CJRS) up to August of last year, and only ever had a minority of people on furlough, with the business topping up pay to 100%. After the Board reviewed full year performance and the net cash position, we made the decision to repay all furlough grants claimed under the CJRS, making a full repayment in February 2021. In addition, the Remuneration Committee has taken the decision, in line with the results achieved for 2020, to reimburse the 20% deduction from the CEO and the Group Finance Director's salaries, to reflect the position that everyone at Henry Boot experienced in receiving 100% of their salaries whilst either at work or on furlough. This is also aligned to the treatment of Executive Directors along with employees in receiving 50% of their 2019 bonuses, a parallel that will be continued in relation to 2020 with Executive Director bonus increases being tied to those of the wider workforce.

Our People

Our people's skills, determination, and expertise in our three key markets has proved fundamental to the Group's 2020 performance

235pNet asset value per
ordinary share¹
(2019: 239p)**9.0p**Earnings per
ordinary share
(2019: 28.3p)**5.5p**Dividends per
ordinary share
(2019: 5.0p)

and to maintaining our strong financial position in these challenging circumstances. Our teams have shown themselves to be agile and adaptable, adopting new ways of working and creating new efficiencies, which will continue to shape the Group's future working practices. I believe an effective business can be measured by its agility to respond effectively to challenging environments, market uncertainty, and structural change. On behalf of the Board, I would like to thank everyone at Henry Boot for their dedication and hard work during this unprecedented period, which has allowed us to produce a robust set of results.

Dividend

The Board regularly reviewed the Group's financial position and considered the impact of CV-19 on trading conditions when deciding whether to continue paying a dividend during the pandemic. Given the Group's confidence in our strong balance sheet and that we operate in markets that will continue to deliver returns over the longer term, the Board has proposed to continue to pay a dividend and concluded to pay a final dividend of 3.3p, which together with the 2.2p interim dividend, gives a total of 5.5p (2019: 5.0p) for the year. Payment of the final dividend is subject to shareholder approval at the Annual General Meeting and will be paid on 28 May 2021 to shareholders on the register as at 30 April 2021.

Outlook

Whilst CV-19 had an impact on the Group's 2020 performance, there was still resilient demand within the markets we operate in, leaving us optimistic for the year ahead. These remain unprecedented times; however, we begin the year in a strong financial position, with a resilient balance sheet, a portfolio with ample opportunities, and encouraging forward sales as our key markets recover. This leaves the Group feeling confident that we will be able to build on the momentum we saw in H2 2020 and continue delivering a high-quality service to our customers.

Jamie Boot

Chairman

1. Net Asset Value (NAV) per share is an alternative performance measure (APM) and is defined using the statutory measures net assets / ordinary share capital
2. Net cash is an APM and is reconciled to statutory measures in note 33.

Pictured: Butterfield Business Park in Luton, boasting 45 acres of land ready for development. In partnership with The Crown Estate and Luton Borough Council, Phase 1 has been completed, with all 10 units already been taken up.



Group at a Glance

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

LAND PROMOTION

HALLAM LAND MANAGEMENT LIMITED

The strategic land and planning promotion arm of the Henry Boot Group. Since 1990 we have been acquiring, promoting and developing land with an outstanding record in achieving planning permission. Hallam Land has a strategic land bank of 16,607 acres, focused on higher value locations in the South and Midlands, and in total has the potential to deliver around 88,070 residential plots.

Revenue stream:



% of Group revenue:

9

Number of employees:

28

PROPERTY INVESTMENT AND DEVELOPMENT

HENRY BOOT DEVELOPMENTS LIMITED

Henry Boot Developments is one of the most progressive property companies in the UK with its considerable experience and impressive reputation in all sectors of property development. Currently the company has a commercial development pipeline of £1.4bn.

Revenue stream:



STONEBRIDGE HOMES LIMITED

Stonebridge Homes is a jointly owned company (controlled by Henry Boot PLC). It has built homes and communities for over a decade and specialise in delivering quality, high specification properties in the Yorkshire region. It has exciting plans for sustainable growth that will soon see the launch of new developments in the North East of England and increase the number of outlets in Yorkshire.

Revenue stream:



% of Group revenue:

39

Number of employees:

118

CONSTRUCTION

HENRY BOOT CONSTRUCTION LIMITED

A regional construction services provider to both public and private clients, offering creative, customer-focused solutions and building strong partnering relationships to ensure the best outcomes for all projects.

Revenue stream:



BANNER PLANT LIMITED

Offering a wide range of construction equipment and services for sale and hire in plant, temporary accommodation, power tools, powered access and big air compressors. Primarily, supply areas stretch from Yorkshire in the north to the East Midlands and Birmingham in the south.

Revenue stream:



ROAD LINK (A69) LIMITED

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

% of Group revenue:

52

Number of employees:

294

Key market sectors:

-  Industrial & logistics
-  Residential
-  Urban Development

Our market sectors

INDUSTRIAL AND LOGISTICS

**Industrial sector experienced high demand**

The demand for industrial and logistic warehouses has increased significantly over the last decade as a result of the rapid growth in online sales. The pandemic has accelerated this demand and it was the only sector to deliver positive capital returns with investors in 2020.

[→ Read more on page 23](#)

UK warehouses take-up hit a record of over

50m sq ft
in 2020.

Source: Savills

Type of revenue stream:

-  **Recurring Revenue:** This revenue stream is regular and stable which allows the Group to maintain long-term bank funding relationships.



RESIDENTIAL

**UK housing prices continue to grow**

In the second half of 2020 the UK residential market witnessed resilient demand, leading to housing prices rising, as many households have re-evaluated their housing needs. Despite price growth, rising house prices have been offset by falling mortgage rates.

[→ Read more on page 24](#)

Total UK house price growth for 2020 was

7.3%
the highest in
six years.

Source: Savills

-  **Cyclical Revenue:** This revenue stream is dependent on each economic cycle. These profits, in good years, contribute significantly to the Group's profits overall.



URBAN DEVELOPMENT

**People choosing urban centres to live**

People are moving to large urban centres for work and the lifestyle on offer. 90% of the UK population is predicted to be living in urban areas exceeding 300,000 population by 2050. This will create demand for good quality schemes for people to work and live in, with build-to-rent (BTR) playing an important element of supply.

[→ Read more on page 25](#)

Private residential rents increased in the UK by

1.4%
in 2020.

Source: ONS

Our Key Differentiators



OUR FOCUS ON MARKETS WITH STRUCTURAL TAILWINDS

➔ Read more on pages 22 to 25



OUR LONG STANDING REPUTATION AND RELATIONSHIPS

➔ Read more on pages 18 to 21



OUR ENGAGED AND PROACTIVE PEOPLE

➔ Read more on pages 57 to 61



OUR PRUDENT MANAGEMENT OF RISKS

➔ Read more on pages 48 to 54



OUR PORTFOLIO IS EMBEDDED WITH VALUE AND OPPORTUNITIES

➔ Read more on pages 32 to 37



OUR DEEP PLANNING AND DEVELOPMENT EXPERTISE

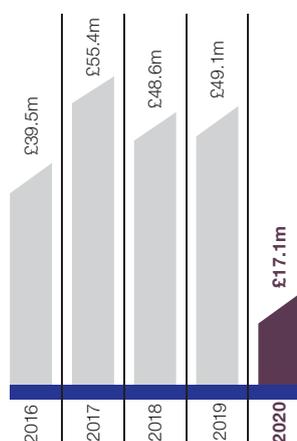
➔ Read more on pages 30 and 31

2020 Highlights

Financial highlights

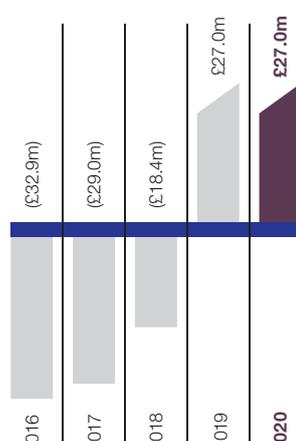
Profit before tax

£17.1m



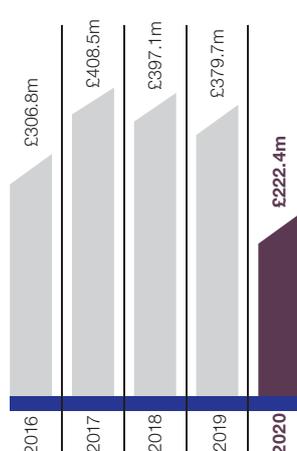
Net cash²/(debt)

£27.0m



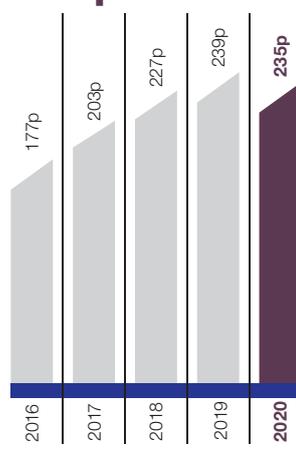
Group revenue

£222.4m



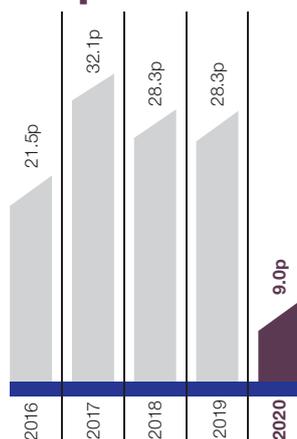
Net asset value per ordinary share¹

235p



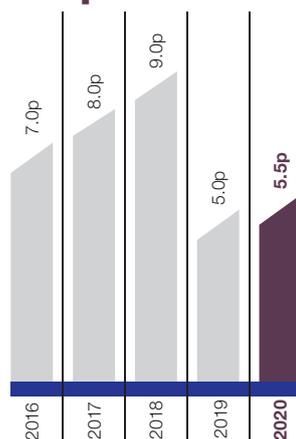
Earnings per ordinary share

9.0p



Dividends per ordinary share

5.5p



Highlights

- Revenue of £222.4m (2019: £379.7m) reduced as operations saw lower demand affected by CV-19
- Profit before tax of £17.1m (2019: £49.1m) ahead of expectations primarily due to land disposals and a resilient performance from our operations in H2. EPS lower at 9.0p (2019: 28.3p)
- Robust NAV per share¹ at 235p (2019: 239p) and strong net cash² position at £27.0m (2019: £27.0m) resulting in nil gearing. Current cash (at the end of February 2021) is £38.5m
- Proposed final dividend of 3.3p (2019: 1.3p), increasing the full year dividend to 5.5p (2019: 5.0p) reflecting our current financial position and confidence in our long-term markets.
- 135 Henry Boot launches our ESG strategy and celebrates our 135th anniversary
- An evolved strategy focusing on our three long-term markets: industrial & logistics, residential and urban development, all of which are driven by positive long-term trends
- Land promotion business sold 2,000 plots and interest in major JV in the Midlands. Capital successfully recycled into growing the landbank to 16,607 acres (2019: 14,898 acres)
- Committed development of £312m (HB share £85m) – 88% pre-sold or pre-let. Strong £1.4bn development pipeline (HB share – £1.1bn) with 78% in industrial & logistics
- Stonebridge Homes performed ahead of target after completing on 115 sales in 2020 and secured 57% of their sales target for 2021. Land bank increased to 1,119 plots including a site in Wakefield secured for 149 plots
- Construction business recovered well in H2, performing ahead of expectations with a turnover of £86.2m. Encouraging demand, led by public sector customers, leading to full order book for 2021
- Good start to year, ahead of expectations on activity, order book and forward sales in land, development and housebuilding

- Net Asset Value (NAV) per share is an alternative performance measure (APM) and is defined using the statutory measures net assets / ordinary share capital
- Net cash is an APM and is reconciled to statutory measures in note 33 to the financial statements.

➔ Read the **Financial Review** on pages 38 to 41

➔ Read the **Segmental Review** on pages 32 to 37