Henry Boot

Henry Boot PLC
Annual Report and Financial Statements
for the year ended 31 December 2020

FOCUSED ON KEY MARKETS AND SUSTAINABLE GROWTH

CONTENTS

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

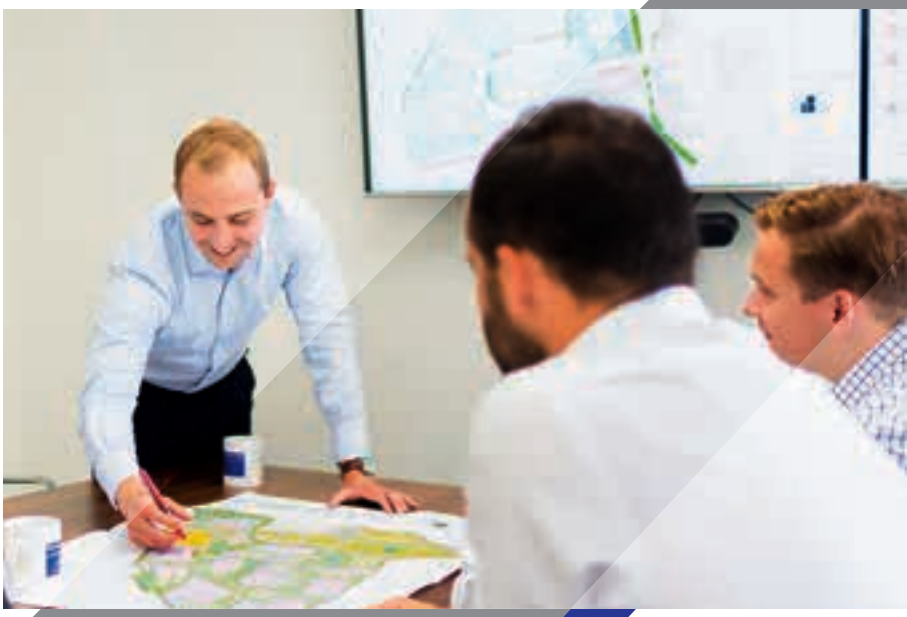
We are focused on sustainable markets: industrial & logistics, residential, and urban development. Despite the short-term implications of the pandemic, we operate in market sectors with strong long-term growth trends. We are involved in multiple sectors which means that we are not overly exposed to one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

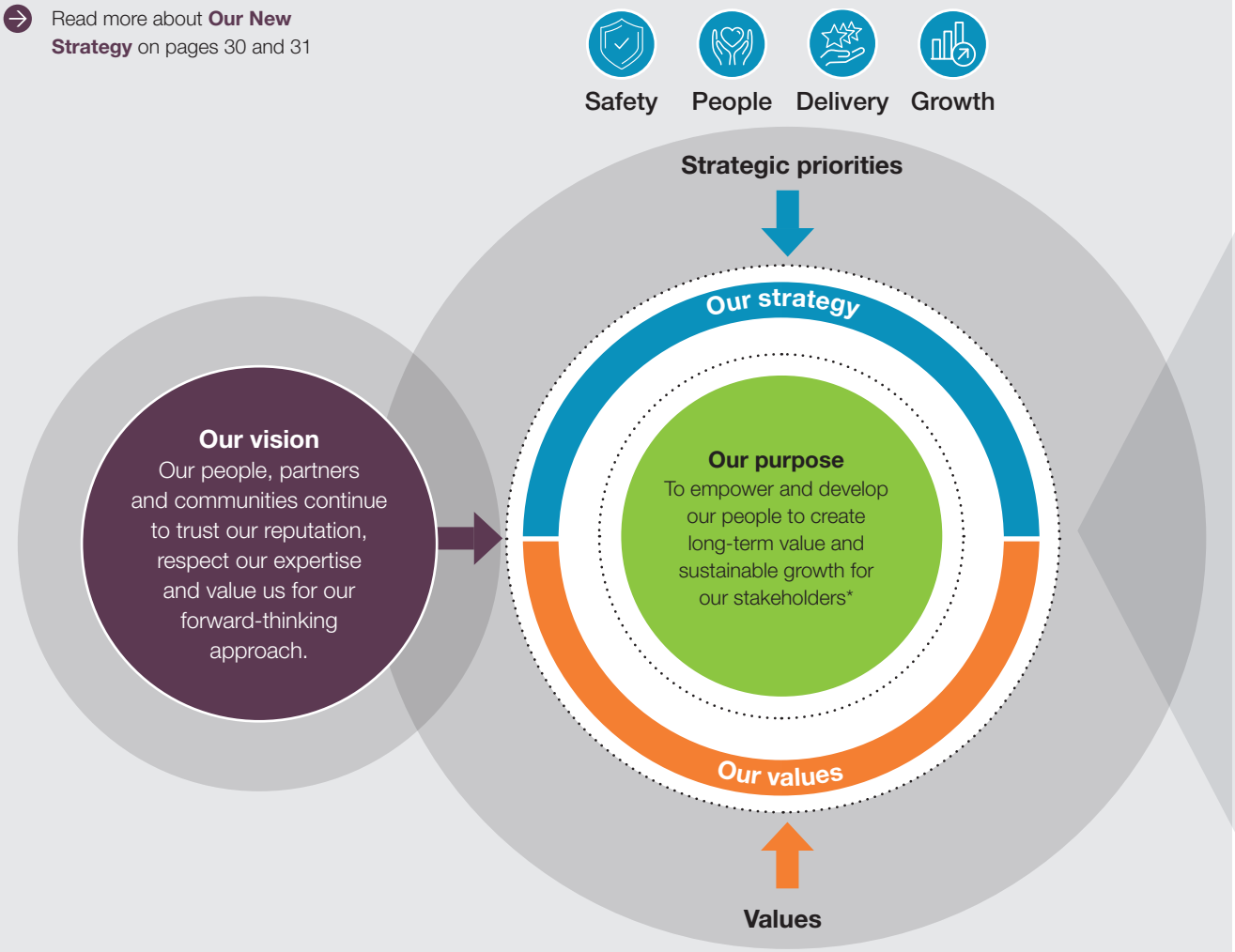
Henry Boot Developments development pipeline

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 share[1] 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 cash[2] 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

235p
Net asset value per ordinary share[1]
(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

Type of revenue stream:

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

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

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

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

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

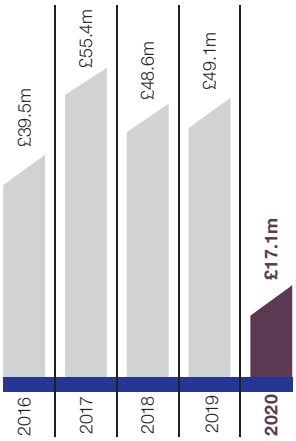
OUR DEEP PLANNING AND DEVELOPMENT EXPERTISE

Read more on pages 30 and 31

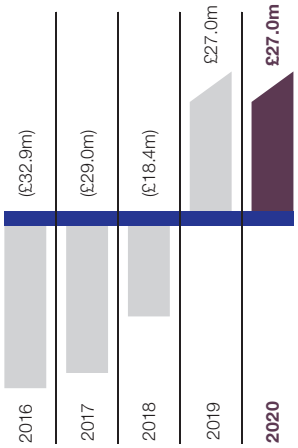
2020 Highlights

Financial highlights

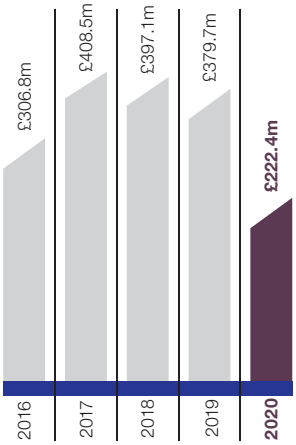
Profit before tax
£17.1m



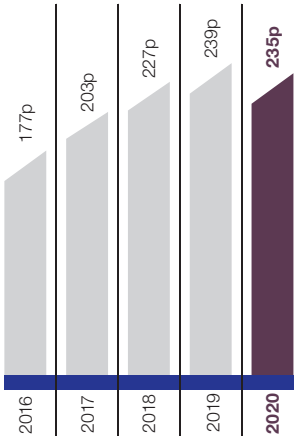
Net cash[2]/(debt)
£27.0m



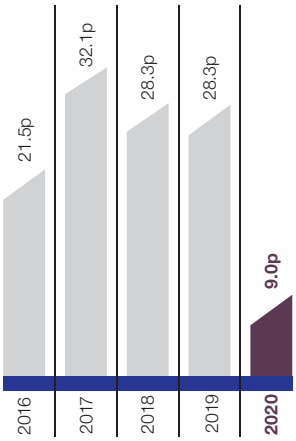
Group revenue
£222.4m



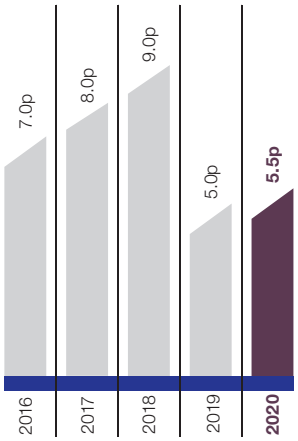
Net asset value per ordinary share[1]
235p



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 share[1] at 235p (2019: 239p) and strong net cash[2] 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

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

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

STRATEGIC REPORT

The Directors present the Group Strategic Report for the year ended 31 December 2020.

This report sets out how Henry Boot continues to create consistent value through the promotion of new land opportunities, the development of and investment in high quality property assets, and construction activities.

The Business Overview and Strategic Report on pages 01 to 65 has been approved by the Board and signed on its behalf by

Tim Roberts
Chief Executive Officer

16 April 2021

Darren Littlewood
Group Finance Director

16 April 2021

Chief Executive Officer Update

"The safety and welfare of our people, customers, supply chain, and the communities in which we operate, have been the key priorities in Henry Boot's response to the CV-19 outbreak."

Tim Roberts
Chief Executive Officer

WELL PLACED FOR THE FUTURE

Just over a year into my new role and I find myself very proud of the way our people have responded to the pandemic, along with many other institutions, businesses and communities across the country.

It gives me added confidence that we are not only well placed in the three key markets we serve, together with our strong financial position, but that we also have a team that shows it can cope with significant change and uncertainty.

The safety and welfare of our people, customers, supply chain, and the communities in which we operate have been the key priorities in Henry Boot's response to the CV-19 outbreak and I'm relieved to say that the safety procedures we have installed have allowed us to continue operating safely. We have monitored infection rates closely using lateral flow testing, including in our largest construction site at Barnsley, and there is no data to suggest that the people who have been working on site and in our depots have been at greater risk. Whilst I want to thank everyone at Henry Boot, I would like to give special thanks to those who have worked on site or in our depots so effectively, away from the relative safety of home working.

The Group utilised the Government's CJRS due to the initial reduction in construction, housebuilding and plant hire activity but only ever had a minority of people on furlough, with the business topping their pay up to 100%. We stopped using the CJRS by August 2020 and paid back all furlough grants claimed under the scheme in February 2021, as we are confident activity levels have now stabilised.

The Group also made various adjustments in response to further support the business during the pandemic. This included: reducing the Board's executive and non-executive pay by 20% for six months; paying a reduced final dividend to shareholders for 2019; and only paying 50% of bonuses to employees and directors for the full year of 2019 in 2020. We also made the difficult decision to restructure our construction division, which included making some redundancies.

In terms of operations, HLM performed well after the housing market recovered and was unexpectedly buoyant in H2. We sold 2,000 plots (2019: 3,427) on nine sites, achieving a profit per plot of £6,456, and exchanged on 1,744 plots that will provide profit for the Group in 2021. We invested £10.0m in our land bank growing it to 16,607 acres (2019:14,898 acres) and ended the year with over 15,000 plots where we have planning secured.

Henry Boot Developments adjusted to the uncertain environment by slowing down development but still successfully completed on a total GDV of £58m (our share £55m), with 100% of these schemes either sold or let (£41m) or retained (£17m) in our investment portfolio. Towards the end of 2020, we started to increase our developments, particularly in response to growing industrial demand with commitments on 206,100 sq ft of industrial and logistic space. In H2 2021 we will complete on our 533-unit BTR Kampus scheme in Manchester, which has been forward-funded with us retaining a 5% equity stake. We also purchased two opportunities at a combined price of £12.6m during the year, Mabgate in Leeds, and St John's College in Manchester with existing buildings of 60,000 sq ft and 27,000 sq ft respectively. We also entered into a development agreement on Phoenix 10 in Walsall, which adds a further 620,000 sq ft to our industrial and logistic offering. Committed development currently stands at £312m (Henry Boot Developments share £85m) and our development pipeline has been maintained at £1.4bn (Henry Boot Developments share £1.1bn), 78% of which is in industrial & logistics.

Our jointly owned housebuilder, Stonebridge Homes, achieved 115-unit sales (2019: 159 sales), which was ahead of our target and, with a buoyant housing market, maintained a strong sales rate of 0.61

88,070
Strategic land plots
(2019: 77,144)

Henry Boot Developments Pipeline GDV
£1.1bn
(2019: £1.1bn)

Stonebridge Homes Total Land Bank
1,119 plots
(2019: 1,023)

2021 Construction Orderbook
£80m
(2020: £86m)

units per site per week during the year. 2021 has started well with sales already agreed on 69 units to date, well ahead of the business plan. However, growth in Stonebridge has been hampered by a slow process for getting planning on our land bank, partly caused by CV-19. We are addressing this by taking a more portfolio approach in planning terms to our 1,119 plot landbank (2019: 1,023 plots), helped by securing a site just before Christmas in Wakefield with planning for 149 plots. We are determined to grow this business so that it benefits from more operational scale and becomes a multi-regional premium housebuilder.

Henry Boot Construction Limited delivered revenue of £86.2m (2019: £89.7m), which was significantly ahead of our expectation despite earlier disruptions from CV-19. During the year, we successfully secured a £40m contract to deliver a BTR scheme, and post year-end we started work on a £42.5m mixed use scheme both in the 'Heart of Sheffield'. As a result, we now have a full construction order book for 2021, and with our public sector bias, expect to play our part in the Government's plans to Build Back Better.

Our balance sheet has remained rock solid, with no stranded assets needing to be written down. With £38.5m of cash in the bank (as at 28 February 2021), as well as committed and undrawn facilities of £75m, we are in a very strong position to fund our growth plans. However, like all businesses, we need to be clear about our strategic objectives, and there are also areas where we can develop our approach and skills. In this respect, I set out a summary of our evolving strategy together with a new approach to ESG in the next two sections, followed by the normal business review. I am confident that with a greater strategic focus on our three key markets, the growth prospects driven by existing opportunities within our portfolio, our strong financial resources, plus our highly engaged people, the outlook is very encouraging.

Pictured: MV55 is a 55,000 sq ft warehouse located at Markham Vale, a 200-acre industrial and logistics development located at Junction 29A of the M1 in Derbyshire.

Chief Executive Officer Update

Responsible Business

As a 135-year-old business, we understand sustainability and long-term value creation. This year, we will formalise and coordinate our approach to ESG as we launch our new ESG Strategy. This will guide our business to deliver an ambitious and strategic approach to ESG and align all our current and prospective responsible business activities with a clear focus. Henry Boot would not be here today without sustainability being at our core. The new ESG Strategy will see us formalise ESG factors in our discussions of business risks and opportunities and will allow us to measure our progress against clear ESG objectives. We understand that now is a time for action and for driving and communicating clear progress on these important factors.

The implementation of our ESG Strategy will take a two-phase approach and will clearly align our responsible business ambitions with key societal issues, with particular focus in the first phase on how we will achieve Net Zero Carbon (NZC) and develop increasing equality, diversity and inclusion in our business and the sector we represent.

135 Henry Boot is phase one of our ESG Strategy. This strategic framework will guide us as we launch three long-term initiatives:

1. Our Pathway to NZC and enhancing our environmental stewardship
2. Our new Equality, Diversity, and Inclusion Strategy
3. Our Community Partnership Plan to provide funds, time, resources, and expertise to support our community partners

135 Henry Boot will see our business build on our strong foundations of responsibility and create engagement with all of our stakeholders as we address and respond to crucial issues faced by our communities and environments.

Phase two of our ESG Strategy will launch in January 2022 and will be influenced by further consultation and engagement with our people and partners. This will ensure we focus on the most material issues and will have regard to the United Nations Sustainable Development Goals that we believe we can impact most positively. It will incorporate all of our existing responsible business initiatives and guide us to achieve long-term ambitious targets and create long-lasting and meaningful social value and impact. We will also be ensuring alignment with the requirements of the Taskforce on Climate-Related Financial Disclosures in preparation for the enhanced reporting requirements, that will apply fully to our activities for the 2021 Annual Report and Accounts onwards.

To provide oversight and support to the Group's ESG ambitions and commitment, we have established a new Board Committee. The Responsible Business Committee will support the business to embed ESG factors into our Commercial Strategy. The Committee will be chaired by Non-executive Director Peter Mawson. Our timeline for key initiatives is:

Responsible business strategy timeline

MARCH 2021
Phase 1 of our Responsible Business Strategy – Launch of 135 Henry Boot and the Community Partnership Plan

APRIL 2021
New Equality, Diversity, and Inclusion Strategy.

JUNE 2021
Our Pathway to Net Zero Carbon and enhancing our environmental stewardship.

JANUARY 2022
Phase 2 of our Responsible Business Strategy

Whilst formulating our long-term ESG Strategy, I am pleased to report that we have maintained our focus on supporting our people and communities in the unprecedented circumstances of CV-19. Amid the challenging working environment of a pandemic, we have:

- supported and maintained regular communications with our people; our Employee Net Promoter Score (eNPS) has increased to an outstanding score of 46;
- continued to provide support to, and work closely with the communities in which we operate;
- collaborated with regulatory bodies including the Construction Leadership Council, National Federation of Builders, Confederation of British Industry and UK Government Ministers, to ensure our services continue to adhere to best practice and guidance;
- directly supported the NHS Nightingale Hospital programme, as a unit at our joint venture development scheme in Sunderland, the International Advanced Manufacturing Park, was selected for conversion into a temporary hospital, and
- our charitable giving programme donated a total of nearly £68,000 to 28 organisations who needed support during the pandemic.

We recognise this approach is a unique way to deliver our ESG ambitions. However, we believe it will enable us to successfully embed ESG factors within our business decision-making and activities and to engage with our people and partners, in order to create a meaningful strategic approach to responsible business and the social value created through our operations. It is the Henry Boot Way!

Looking Forward

As I write, there are reasons to be cautiously optimistic; the successful ongoing national roll out of the vaccine, infection rates falling and the Government's road map setting out some form of social and economic recovery. Importantly over the last year, we have shown that our business has adjusted and, whilst not immune, still offers a resilient, viable and relevant business model.

As for the immediate outlook I am encouraged. We start the year with strong forward sales and very healthy order books. Land plots pre-sold last year, and sold at the start of this year, total 2,039, our committed developments of £312m (HB share £85m) are already 88% presold or let (HB share 69%), sales have now been agreed on 57% of our housebuilding target for 2021, plus the year's orderbook for construction is fully secured. Just as importantly, with cash on the balance sheet, together with a portfolio rich with opportunity, we are ready to respond to signs of increasing demand in our key markets.

Moreover, our strategy focuses on growth in three long-term markets – industrial & logistics, residential and urban development – that are driven by long-term trends, which in a post pandemic world, we are confident will endure. We also have a good record of serving public sector clients in key regional construction areas, at a time when the Government is looking to invest money in the regions.

We remain committed to working with our clients and various stakeholders in building on the good start to the year and in realising our long-term strategy.

Tim Roberts
Chief Executive Officer

Pictured: Phoenix 10 is a 44 acre site located in Walsall. The £114m project, including a £40m remediation contract, will deliver up to 620,000 sq ft of employment space. Remediation works are set to begin in 2021, subject to planning permission. Development is expected to start in 2023, with completion in 2027.

Business Model

1

KEY RESOURCES AND RELATIONSHIPS

Our people are at the heart of what we achieve

Henry Boot recognises that our people are fundamental to the success and sustainability of the Group. It is their expertise that executes our business model successfully and delivers the value created by the business to our stakeholders.

Group strategy framework

In 2018, we developed our Group strategy framework to ensure there was an overarching and consistent business plan in place. Since then, using the existing framework, the Group has reviewed and refocused its strategy to concentrate on three key markets, which underpin the business model. The strategy is still flexible to our subsidiary's different operational expertise, but it improves upon synergies and efficiencies within the Group, whilst still focusing on creating value for all our stakeholders.

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

The 'Henry Boot Way'

Our culture and behaviour are guided by The 'Henry Boot Way'. This allows us to create and sustain an open culture, where our people can grow and thrive, upholding the standards that are so important to all of us. It inspires excellence in everything we do for our customers, and our colleagues and aims to provide satisfaction for all our stakeholders.

Read more about **'The Henry Boot Way'** on page 05

Effective governance

We align our dynamic business model with robust governance systems to ensure we operate transparently and openly. We set ourselves very high standards and strictly follow best practice in all of our operations.

Read the **Governance Report** on page 77

2

GROUP OPERATING MODEL

1 Identify opportunities and acquire land

Hallam Land Management acquires mainly agricultural land and then promotes it for its highest value use. **Henry Boot Developments** acquires mainly brownfield land.

2 Obtain planning permission

Gaining planning permission on land adds immense value to its worth.

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

Henry Boot Developments promotes land for commercial development. Stonebridge Homes promotes land for residential development.

3a Sale of land

Once **Hallam Land Management** obtains planning permission on a site, it is sold to a developer, sometimes after infrastructure has been installed. The amount of capital required to achieve planning permission on a section of land is a very small proportion of the total capital required for the whole building process, from acquisition of land without planning permission through to completion of construction. This means that **Hallam Land Management** is focused on maximising the most profitable section of the housebuilding process for the lowest amount of working capital.

3b Development of site

Unlike **Hallam Land Management**, when **Henry Boot Developments** and **Stonebridge Homes** gain planning permission for a site, they will develop it themselves.

4a Sale of property

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

4b Investment portfolio

A number of the finished property developments are retained and managed by the **Property Investment and Development** segment. The property investment portfolio of **Henry Boot Developments** is worth over £80m and generates a sizeable amount of rental income each year.

Construction

Henry Boot Construction is a contractor specialising in servicing both public and private clients in all construction and civil engineering sectors.

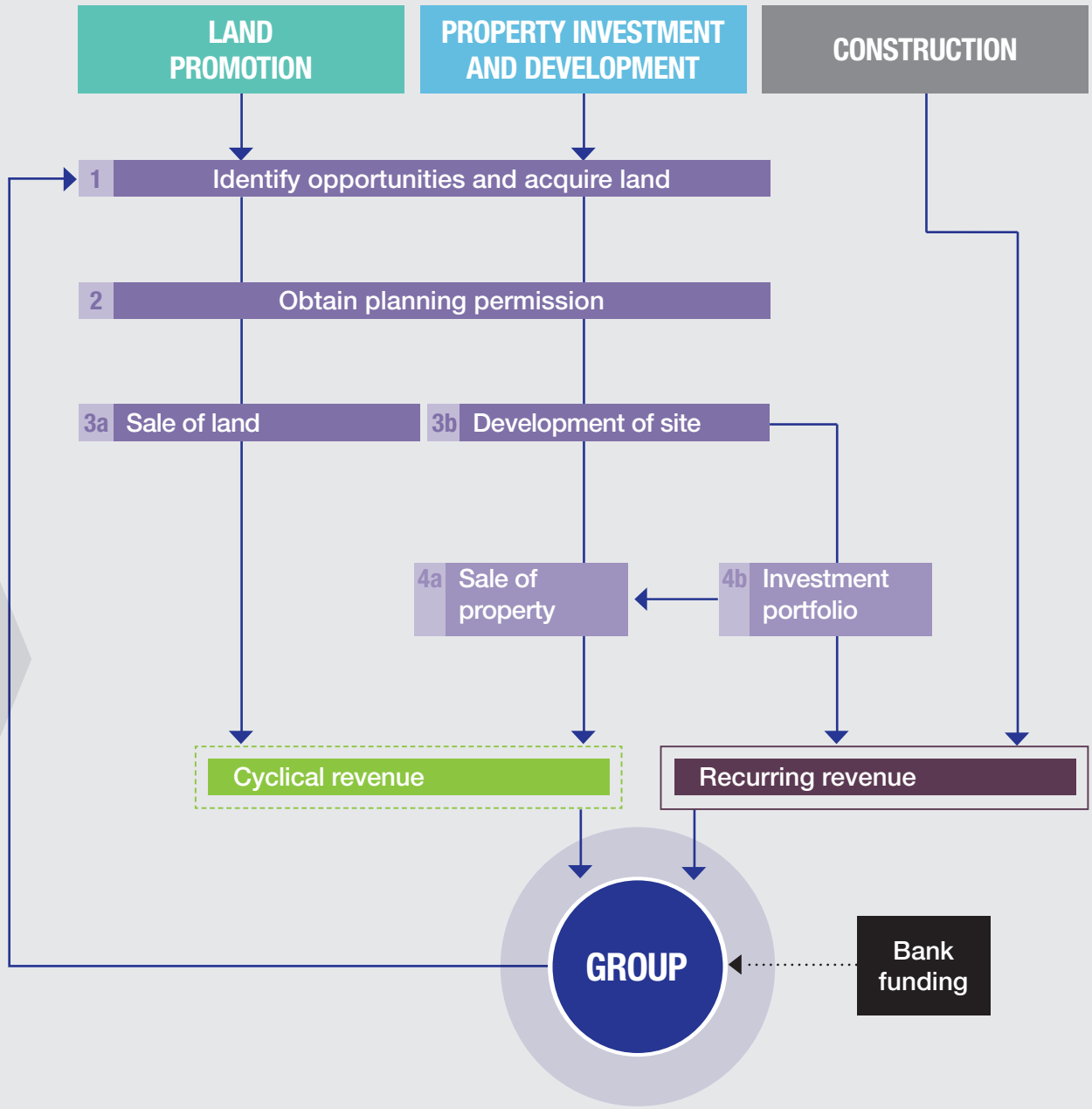
Banner Plant offers a wide range of services, and a high quality inventory of equipment for hire and sale, such as temporary accommodation, powered access equipment, tools and non-man operated plant.

Road Link (A69) has a contract with Highways England to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. Highways England pays Road Link a fee based on the number of vehicles using the road and the mileage travelled.

3

BUSINESS MODEL

View the video explaining **Our business model** on our Corporate website



Recurring Revenue: The revenue from construction and the property investment portfolio is regular and stable. This income allows Henry Boot PLC to maintain long-term bank funding relationships.

Cyclical Revenue: Sale of land and property developments generates cyclical revenue. These activities are riskier and give varying amounts of profit through each economic cycle. These profits, in good years, contribute significantly to the stable profits from construction and property investment.

4

OUR EXPERTISE

LAND PROMOTION

Businesses: Hallam Land Management

- Identifying land with future potential.
- The use of agency and option agreements, as opposed to buying all land outright, means less expenditure on each asset, allowing us to maximise the number of land opportunities that we are promoting at any one time.
- As investment is spread over many assets, this reduces the overall risk of involvement in the planning process and maximises the probability of making a return on the capital invested.
- Taking land through the complexities of the planning system.

PROPERTY INVESTMENT AND DEVELOPMENT

Businesses: Henry Boot Developments and Stonebridge Homes

- Acquiring and developing brownfield land or under-performing property assets.
- Operating in focused sectors to maximise development opportunities.
- Developing partnership arrangements.
- Ability to self-fund or source pre-funding opens up opportunities. The businesses can commit to long-term projects, such as complex multi-site urban development schemes.

CONSTRUCTION

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

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

GROUP

- As a result of our financial structure, we invest in the more profitable areas of the business (strategic land and property development) to maximise the value generated while maintaining prudent gearing levels.

5

OUR VALUE GENERATION

Our people

Our employees deliver the core activities of our business model. We invest a significant amount of time and resource in their training and development to ensure they are empowered in their roles. We apply the same methods and dedication when we are recruiting to ensure we attract the highest calibre of people within the Group.

Communities

We have offices in ten locations across the UK but we have projects which extend our community impact across the country. Wherever we operate it is fundamental to us that we develop strong relationships and partnerships with our communities. This could be by using the local supply chain on projects or volunteering our skill set to a local charity.

Customers

We are committed to maintaining our long standing track record of customer satisfaction. We continue to listen, understand and adapt how we can improve upon what we deliver, so we are able to further enhance the competitive advantage our Group brings to its customers.

Shareholders

Our priority is to protect the sustainability of our Group for our shareholders. By operating transparently and responsibly, we are able to create added value for our shareholders, providing updates on performance and changes to the strategic direction of the Group.

Business Model

OUR COMPETITIVE ADVANTAGES ENSURE LONG-TERM VALUE GENERATION

Our long lasting relationships

Our culture, 'The Henry Boot Way', means that we have a unique and cohesive approach to doing business.

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

Capital structure

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

Diversified businesses

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

Market Context

OUR MARKET SEGMENTS

Henry Boot is focused on three sustainable markets, where the Group already has a strong presence and significant expertise: industrial & logistics, residential and urban development. Long-term trends such as population growth, rising numbers of households, shopping moving online and near-shoring of supply chains, suggest these three markets will continue to perform well, albeit at different rates of growth over time. In effect they benefit from structural tailwinds.

Our key market segments

- Industrial & logistics
- Residential
- Urban Development

CV-19 impact

CV-19 has had a direct and indirect impact on all of our markets. In particular, industrial & logistics saw positive growth, resulting in strong demand for prime warehouses and the residential market remained buoyant and recovered well in H2 2020.

Read more about our response to **CV-19** on page 44

KEY LONG-TERM STRUCTURAL TRENDS IMPACTING OUR BUSINESS

Urbanisation

By 2050 approximately 90% of the UK population is expected to live in towns and cities of at least 300,000 inhabitants. Better job prospects have continued to drive urbanisation in the UK over the long term, with immigration strongest amongst those aged 20–35 before some young families start moving out prioritising space and schooling. People do not choose to live in cities merely to be close to work, but rather because of the lifestyle benefits provided by accessibility to amenities, culture and public transport.

Demographics

In 2020 the total population of England was estimated to be 56.7m and this is expected to rise by 7.9% over the next 20 years to 61.2m. At the same time, by 2040, the number of people aged 65 or above is expected to increase by 38.3% to 14.5m, accounting for 23.8% of the total population. The most significant change in the working age population over the next 20 years is for 20 to 30-year-olds who are expected to increase by 6.3% over the period. Demographics therefore provide positive support for senior living and BTR aimed at young professionals.

Technology

Advances in technology over the past decade have caused disruption to how we live, work, shop and communicate, resulting in many businesses needing to rethink their digital strategies and offering. The emergence of new technology impacts on a series of issues relating to not only how businesses deliver their services, but also the environment in which they do it in. This increases the requirement for property businesses to be flexible and deliver services to their customers as well as simply delivering a product to rent or own.

Environment

Growing energy, water and food demands, alongside climate change and health events show the need to reverse environmental degradation. In 2019, the UK became the first major economy to legislate its commitment to produce net zero carbon emissions by 2050. The built environment contributes an estimated 40% of the UK's carbon emissions, which increases the pressure on businesses in that industry to adapt their operations to become more sustainable.

INDUSTRIAL & LOGISTICS

The industrial & logistics sector performed with remarkable strength in 2020

Market overview

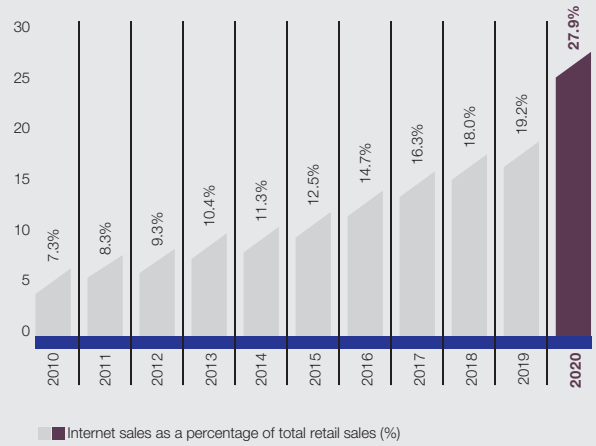
In 2020 the UK industrial take up was over 50m sq ft, a record performance for the sector. Despite CV-19, there was still strong demand for big box warehouses, with the pandemic having a direct impact on take-up with increased demand for space from online retail companies as well as for storage space from a range of occupiers. The sector has been supported by online retail sales over the past decade, and after seeing a large increase in 2020 and the uncertainty of high street stores reopening due to CV-19 restrictions, businesses look set to push ahead their digital expansion plans.

Read more about **Our New Strategy** on page 30

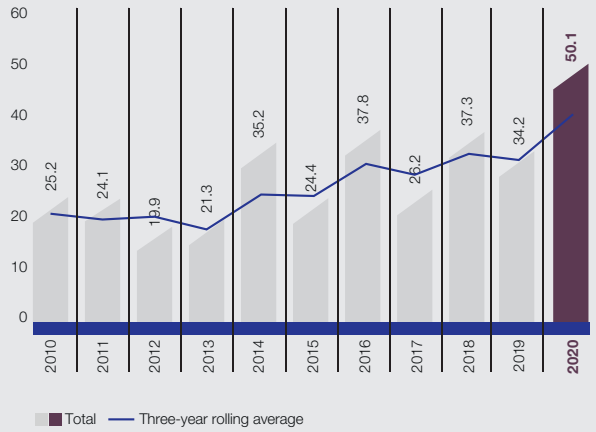
What does Henry Boot have to offer:

- A long standing reputation and expertise in the sector, in particular the Group's 2,000,000 sq ft flagship scheme, Markham Vale has been offering industrial & logistics solutions since 2004
- In response to the continued occupational demand, the Group has committed to speculatively develop over 200,000 sq ft of industrial and logistic space and in total is committed to developing £67m GDV across five sites in 2021
- Industrial & logistics represents 78% of Henry Boot's £1.1bn development pipeline with the potential to deliver approximately 10,000,000 sq ft of space
- Two further schemes were secured in 2020, Phoenix 10 Walsall, which has the potential to deliver units ranging from 21,000 to 415,000 sq ft, and Wakefield Hub, a joint venture to develop a 2,000,000 sq ft distribution warehouse, which is subject to planning

Internet sales as a percentage of total retail sales (ratio) (%)[1]



Big Box take up – million sq ft[2]



1. Source: Office for National Statistics
2. Source: Savills

Market Insights

RESIDENTIAL

The UK residential market recovered well in the second half of 2020

Market overview

After the initial disruption caused by the pandemic, the UK residential sector recovered strongly in the second half of 2020. According to Savills, annual housing price growth hit a six-year high of 7.3%, whilst UK greenfield land values remained resilient with a modest 0.6% decrease in the year. Low mortgage rates have continued to support housing affordability with the average mortgage payment at around 30% of people's take-home pay, the lowest in a decade. After the Government extended the stamp duty holiday in England to June 2021, and with the rollout of the vaccination programme, the outlook for the UK residential market looks encouraging with the land demand from housebuilders supporting this.

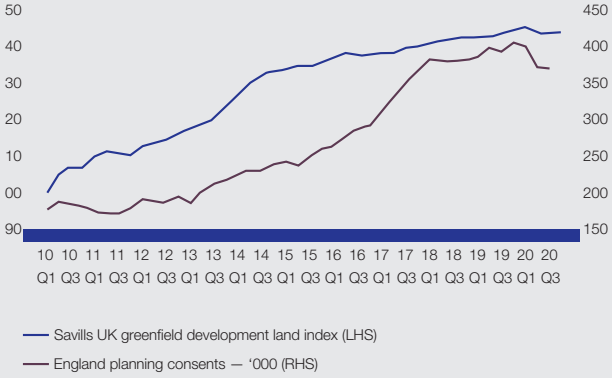
Read more about **Our New Strategy** on page 30

Land

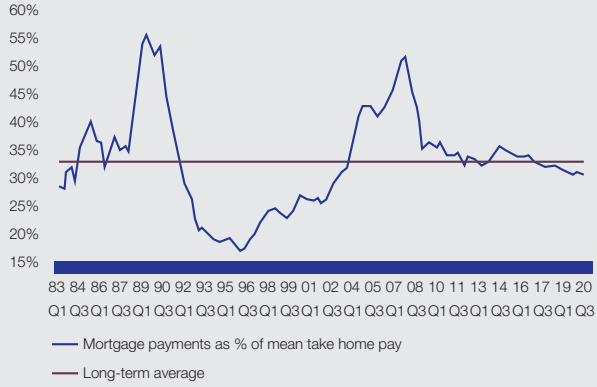
What does Henry Boot have to offer:

- Hallam Land Management has six offices located across the country and is well established and experienced in the complexities of the UK planning system
- The Group has a strategic land bank of 16,607 acres, which has the potential to deliver around 88,070 residential plots
- Stonebridge Homes, the Group's jointly owned housebuilder, offers further residential capabilities, with a total land bank of 1,119 plots of which 59% has either detailed or outline planning consent (657plots)

Land Values & Planning Consents[1]



First time buyer affordability[2]



1. Source: Savills
2. Source: Nationwide

Market Insights

URBAN DEVELOPMENT

90% of the UK population is predicted to be living in urban areas by 2050

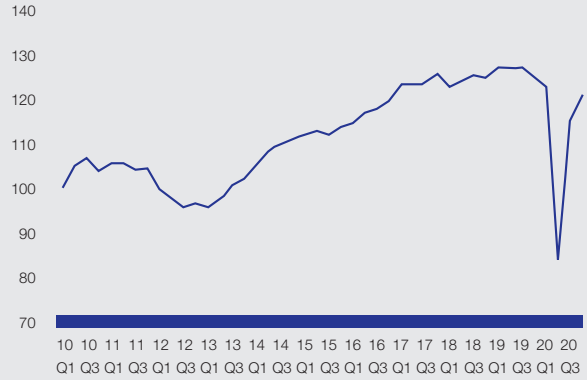
Market overview

People are choosing to live in rental accommodation in prime urban areas, not only for work reasons but for better lifestyle options, with 56% of private renters aged between 25 and 44 years old. The BTR sector can capitalise on good rental growth prospects within the Private Rented Sector (PSR), which currently represents only 2% of total PRS stock. Construction has also seen an emergence in BTR and after CV-19 severely reduced construction output in Q1 2020, the largest contributor to the recovery was private new housing. Take-up of regional office space in 2020 was 40% below the five-year average reflecting the impact of CV-19. However, gains in supply in some markets were offset by falls in others as the overall vacancy rate remained relatively stable at 7.5%, comfortably below the five-year average of 8.1%.

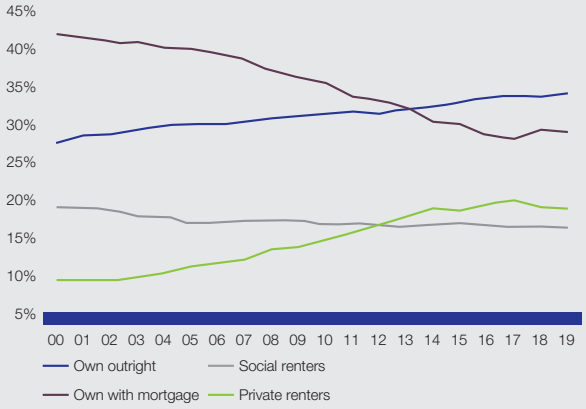
What does Henry Boot have to offer:

- The Group has a strong presence in key cites identified as target areas for BTR schemes
- In 2021, Henry Boot's flagship 533-unit BTR development in Manchester, Kampus is set to be completed
- Henry Boot Construction has secured two BTR schemes in the city centre of Sheffield. Both schemes will commence work in 2021 and we will continue to seek and secure further opportunities within this market

Construction output in Great Britain: volume seasonally adjusted[1]



Changing trends in tenure[2]



1. Source: Office for National Statistics
2. Source: GOV.UK

Our Strategy

Strategic Priority/Objective	Performance in 2020	Link to key performance indicators (see pages 42 and 43)	Link to key risks (see pages 50 to 53)
Safety			
Continual review of our systems, ongoing training and development, adoption of best practice and keeping abreast of change.	During the Group's initial operational pause at the outbreak of CV-19, we engaged and consulted with contractors and our supply chain to enable our operations to continue safely and to maintain our robust health and safety standards. The Group's 2020 accident frequency rate did very marginally increase to 0.10, but our rate is still in line with competitors and regulatory standards.	6 7	1 2 4
People			
Offer a wide range of long-term career and development opportunities which attract new and retain employees.	Despite CV-19 presenting challenges to our training and development offering, there was still a total of 1,420 personal development days. The total was reduced from 2019 due to readjusting our training offering to virtual capabilities, but as we enter 2021, we now have a balanced offering which reflects our commitment to developing and nurturing our people.	6 7 8 10	3 4 13

Strategic Priority/Objective	Performance in 2020	Link to key performance indicators (see pages 42 and 43)	Link to key risks (see pages 50 to 53)
Delivery			
Maintaining a maximum gearing level of 30%, utilising available capital efficiently.	The Group maintained its strong financial position throughout 2020 and after making selective investments in our three focused markets, the business ended the year in a net positive cash position and nil gearing.	4 5	3 5 13
To dispose of an annually increasing number of residential plots while market conditions are supportive.	Land promotion successfully completed the sale of 2,000 plots in 2020. Whilst CV-19 did materially impact our performance, there was a resiliant demand for land from housebuilders as the housing market recovered. This has meant we began 2021 in a strong position, having already exchanged contracts for the disposal of 1,744 plots.	L1 L5 L6	3 5 11 12 13
To pre-fund and pre-sell our development opportunities to mitigate risk and secure delivery.	In 2020 all completed schemes were 100% either pre-sold or pre-funded.	D1 D2 D5	3 5 9 10
Constantly monitor the customers and markets in which we operate, to compete effectively and appropriately balance our workflows within these markets.	Construction activity did decrease due to the disruption caused by CV-19 whilst we paused to install the correct safety procedures on sites and depots. However, activity did increase to 95% on both construction sites and depots by the end of the year, performing in line with our revised expectations.	C1 C2	3 5 8 13
To maintain a high level of service and delivery, whilst tracking the performance measurements in place to review level of customer satisfaction.	In 2020 we scored 9.13 out of 10 for 'how satisfied the client was with the service of the main contractor', which was a slight improvement from 2019. Whilst the KPI data published by Constructing Excellence has now concluded, we have continued to benchmark our performance against existing data, this score places us in the higher Upper Quartile performance.	C1 C2 C4	1 4 8

Our Strategy

Strategic Priority/Objective	Performance in 2020	Link to key performance indicators (see pages 42 and 43)	Link to key risks (see pages 50 to 53)
Growth			
Target a dividend cover of over three times to grow net assets and profitability through reinvestment in strategic land and development opportunities.	To protect our financial position and to ensure the Group was well placed to deal with the uncertainty of CV-19, the Group rebased its final 2019 dividend payment. After considering our financial performance the business has continued to pay a dividend at a maintainable level, which ensures we have sufficient working capital and are able to be opportunistic in our markets whilst recognising the importance of continuing to pay a dividend to our shareholders.	1 2 3	3
To increase the scale and investment in land acres and plots over time, with a focus on increasing our investment in owned land in those parts of the country which create the highest returns on capital employed.	Whilst we did increase the total number of plots we have with planning permission, the pandemic did delay some projects whilst planning authorities transitioned to Virtual Committee meetings. However, we continued to invest in new opportunities increasing our land portfolio to 16,607 acres, with over 60% being located in prime market areas in the South and have continued to secure sales at pre-CV-19 prices.	L2 L3 L4	3 5 11 12 13
Explore new investment opportunities, such as logistics and distribution, with the primary focus remaining on residential and mixed use opportunities.	Residential markets continue to be our primary focus. We still have an interest in exploring new opportunities, particularly in industrial & logistics where we will look to do so on a partnership basis with our sister company Henry Boot Developments.	L2	3 5 11 12 13

Strategic Priority/Objective	Performance in 2020	Link to key performance indicators (see pages 42 and 43)	Link to key risks (see pages 50 to 53)
Growth			
To deliver at least one long-term strategic employment / industrial site from each of our regional bases.	In 2020 industrial & logistics formed 90% of our completed schemes, and with the sector continuing to see strong demand throughout the pandemic, we have committed to complete a further £85m GDV in 2021.	D3 D4	3 5 6 11 13
Invest in our housebuilding residential land portfolio to ensure we have sites available to deliver quality in design and build while providing a first class customer experience.	The housing market remained buoyant in 2020 and against resilient demand for new housing we completed on 115 housing completions, which was slightly ahead of targets. There were also a further 211 plots secured in the landbank, leaving us in a strong position to achieve our growth aspirations although planning has become notably more difficult.	D6 D7	3 4 5 12 13
Focus on investing into a variety of sectors for new development to minimise the risk and maximise the return.	At year-end, the investment portfolio had increased by £12.7m, after retaining completed developments at Huyton (£4.8m retail) and Luton (£12.2m industrial).	D1 D2	5 9 10
To actively pursue contract values of between £5m and £15m to benefit from improving economies of scale.	Our average contract size for 2020 was £13.6m, which was primarily supported by securing a £40m contract to deliver the Kangaroo Works, a 364-unit residential build-to-rent project, part of the Heart of Sheffield redevelopment scheme.	C1 C5	3 5 8 13

Our New Strategy Going Forward

OUR STRATEGY IS DRIVEN BY LONG-TERM STRUCTURAL TRENDS

Our strategy is focused around three key markets: industrial & logistics, residential and urban development. These markets are driven by positive long-term structural trends which we expect to give momentum to our future operational and financial performance.

In this regard, the population of the UK continues to grow with the number of households rising, accentuated by the average size of households dropping. Supply of housing generally fails to meet the Government target of 300,000 new homes a year. At the same time, and whilst CV-19 might temper the trend short term, people are moving to large urban centres not just for work but also 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. BTR will be an important element of supply. Pre-CV-19 there has been a growth in demand for industrial & logistics, but with online sales up by *c.*40% over the last 12 months or so, take up, especially in big boxes, has been at record highs. This is likely to be accelerated by more onshoring.

With focus on our three key markets, and within the framework of our existing four strategic pillars of Growth, Delivery, People and Safety, we have reworked our strategic priorities. Our values, which were developed as part of The 'Henry Boot Way', endure, and shape our culture.

We have extremely skilled, experienced, and highly engaged teams focused on our three key markets. The vast majority of our £365m of capital is already employed in these markets and our aim is to gain greater scale by growing our capital employed to over £500m through achieving the following key medium-term objectives:

- **Land Promotion** – Grow our market-leading land promotion business to sales of 3,500 plots per annum (currently 2,039 plots) with increasing emphasis on the Midlands and the South. Through a blend of freehold purchases, planning promotion agreements and options to purchase, we will leverage the significant expertise within HLM to unlock value through the planning process.
- **Development** – Grow our development activities to £200m per annum with a broad split of two-thirds industrial and one-third urban residential (including BTR). We continue to manage market risk through pre-funding/sales/lettings and JVs. In the short term, we will be selective in committing to urban development, as markets adjust to a post CV-19 world. We remain positive that over the longer term, population growth will continue, and cities will outperform in terms of GVA output.
- **Investment** – Double the size of our property investment portfolio to around £150m (currently *c.*£80m), again with a focus on our key markets. This will be achieved through a mix of buying income-producing buildings, with redevelopment or refurbishment potential and retaining certain of our own high-quality developments. The aim will be to create a recurring, resilient income stream with the added potential for capital growth which will show a total return of 6.0% p.a.
- **Housebuilding** – Grow our premium housebuilding operations to an output of 600 units per annum, extending our regional presence from Yorkshire into the North East and the Midlands. To support this growth, we will build up a three to four-year landbank of sites, primarily via options to purchase, but also through selective freehold acquisitions.
- **Construction** – Grow a profitable, cash generative business focused primarily on public sector projects in our existing regional markets. We believe we can play a valued role in the Government's Levelling Up agenda and its Build Back Better plan for growth. Our emphasis will remain on repeat work generating above industry margins. We aim to start each financial year with a minimum of 65% of our order book secured.

There are significant opportunities to grow in each of our three key markets and we have embedded value within our conservatively valued balance sheet. With over 16,000 acres of strategic land, a development pipeline of £1.4bn (Henry Boot Developments share £1.1bn), and £18m of developments we have identified for our investment portfolio, plus 1,119 plots in Stonebridge's landbank, we have all the building blocks to deliver our ambitious plans for growth.

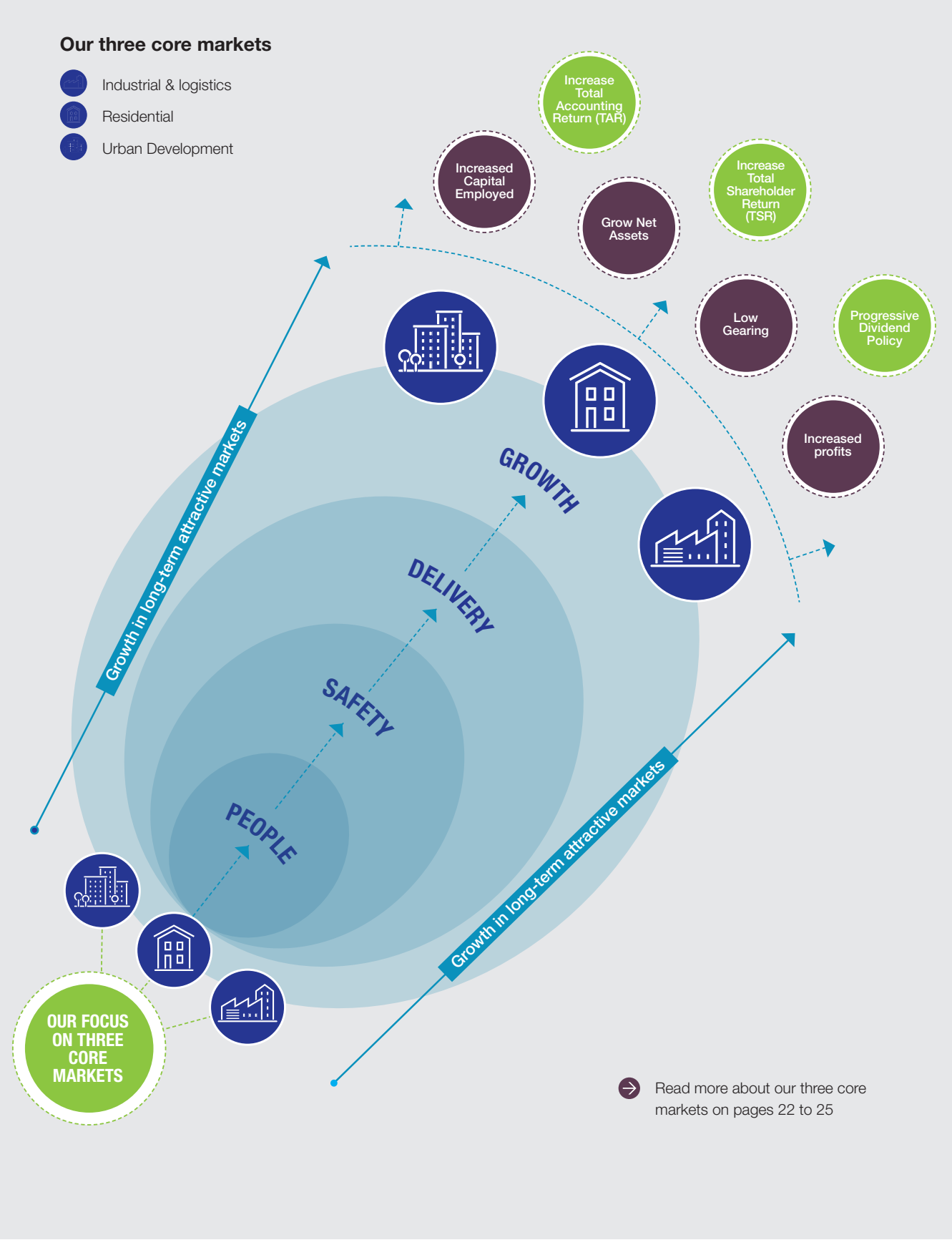
We have a long track record of managing our gearing levels well. With a strong balance sheet, net cash of £38.5m (as at 28 February 2021), committed debt facilities of £75m and material retained earnings we are in a strong position to fund our growth strategy and, if required, will look to take a conservative approach to gearing, in a range of 10% to 20% of net assets.

We are confident our strategy can generate attractive market returns (average ROCE between 10–15% p.a.), without high levels of financial gearing, and will lead to growth in our profits to beyond pre pandemic levels, enabling us to continue with a progressive dividend policy.

Each of our divisions has a clear focus and is driven by specific financial and strategic targets. We have also established an Executive Committee (Ex Co) to facilitate greater collaboration and the development of existing cross-functional expertise serving our key markets. In addition, we have identified and intend to take advantage of opportunities to create further synergies and efficiencies in how we operate as a Group.

As a modern, open, and progressive business, our aim is to attract, retain and develop a diverse range of talent. Our people strategy is at the heart of our business and together with the formation of Executive Committee (Ex Co) as a high-performing senior leadership team, it will allow us to continue to build on our positive culture and our strong operational record.

Henry Boot celebrates its 135th anniversary this year and we are proud of our heritage. We have grown over the years with a clear culture of looking after our people and stakeholders, and in return, levels of team engagement within the business are very high. We understand the need for further commitment to deal with issues at the heart of ESG. We have also launched 135 Henry Boot, phase one of our ESG approach, which will be an integral part of the Group's strategy going forward.



Read more about our three core markets on pages 22 to 25

Segmental Review
Land Promotion

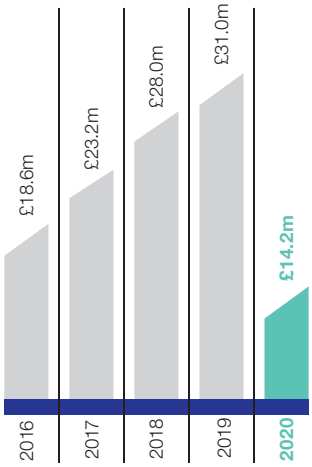
Nick Duckworth
Hallam Land Management Limited

HLM performed well, achieving a £14.2m operating profit (2019: £31.0m) from selling 2,000 plots (2019: 3,427 plots), at an average of £6,456 per plot (2019: £10,000 per plot).

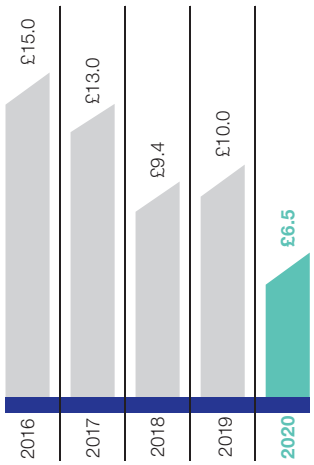
During 2020, UK greenfield land values remained relatively stable with a decline of 0.6% in the year according to Savills Research. After suspending land buying in H1, the majority of the major national and regional housebuilders re-entered the market in H2 with land values increasing by 0.3% in Q4. This followed a strong recovery in new housing sales, leading to continued demand for our land, where encouragingly we received bids at pre-CV-19 prices.

In 2020, disposals were made at various locations including, Wellingborough (600 plots), Lubbesthorpe (258 plots), Hatfield (189 plots), Ripley (200 plots) and Warton (109 plots). In addition, we also sold land in Buckingham for a Care Home and Doctors' Surgery, and in Faversham for a Care Home and food store. Later in the year, we also disposed of an interest in a joint venture site in the Midlands, which made a major contribution to HLM's performance.

Operating profit
£14.2m



Profit per plot £'000s
£6.5k



Significant strides forward were achieved at Didcot with Oxfordshire County Council securing an important infrastructure funding package which enabled it to reaffirm its support for our 2,170-plot scheme. We are hopeful that the final planning consent will be secured in 2021. Furthermore, we continued to make good progress at Eastern Green, Coventry where in November a resolution to permit planning permission was secured for 2,400 plots, 37 acres of commercial development, plus a primary school and community centre. This scheme requires a grade separated junction on the A45 to effect access, and a loan from the Homes and Infrastructure Fund (HIF) has been secured, with delivery expected during 2021/22.

HLM secured further opportunities in its land bank during the year, increasing it to 16,607 acres (2019: 14,898) with just under 60% located in prime market areas in the Midlands and the South of England. Exciting new projects were secured including at Bicester with potential for *c.*2,300 plots, community centre and ancillary uses, Milton Keynes, Thirsk, Selby, Worksop, New Ash Green and Whitstable. In total, we invested £10m on acquiring positions in new sites and at the year-end held interests in land capable of delivering just over 88,000 potential residential plots.

Region	Plots
Scotland	8,855
North	7,260
North Midlands	20,929
South Midlands	17,646
South East	11,782
South West	21,598
Total	**88,070**

The pandemic did slow the preparation of local plans which, in turn, slightly delayed some projects, as local authorities were unable to process plans through to publication and public consultation. Nonetheless, planning authorities transitioned to virtual Committee meetings during the year, allowing HLM to continue to make progress on planning applications.

We secured new planning consents (or consents subject to s106 Agreements) for a total of 2,708 plots during the year, which resulted in our consented portfolio increasing to 15,421 plots at the year-end (2019: 14,713 plots) and we also had 8,312 plots the subject of planning applications (2019: 10,665 plots). By the year end, our housebuilder customers had returned to the acquisition trail, so that we entered 2021 with 1,744 plots unconditionally exchanged for 2021/22 completion (2019: 1,268 plots).

Pictured top: Hallam Land Management's New Lubbesthorpe site, located in the Blaby District on the edge of Leicester. The site has planning permission for 4,250 plots, schools, community facilities and employment, and Hallam have promoted the site alongside Barratt, David Wilson, Davidsons and landowners the Drummond Family and Trustees. A further sale of 258 plots were completed in 2020.

Residential Land Plots

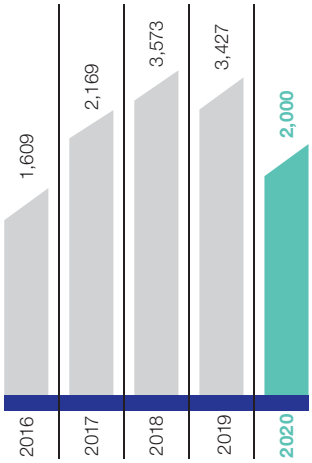
	With Permission						
	b/f	Granted	Sold	c/f	In Planning	Future	Total
2020	**14,713**	**2,708**	**(2,000)**	**15,421**	**8,312**	**64,337**	**88,070**
2019	16,489	1,651	(3,427)	14,713	10,665	51,766	77,144
2018	18,529	1,533	(3,573)	16,489	11,929	44,051	72,469
2017	16,417	4,281	(2,169)	18,529	7,982	40,844	67,355
2016	12,043	5,983	(1,609)	16,417	10,452	32,630	59,499

At Chatteris (1,000 plots), which previously had received a minded to grant permission, we signed the s106 and secured outline planning consent. Bridport, which also had previously achieved Outline Planning Consent, cleared a Judicial Review in relation to our 760 plot and 10-acre commercial scheme, this site now being the subject of sale negotiations. Planning applications covering a further 1,171 plots were also submitted during the year.

2021 has started well. In addition to the 1,744 plots exchanged, we have also unconditionally exchanged 450 plots at Worcester to Taylor Wimpey and Redrow, and completed the disposal of 115 plots at Warton, Fylde. During January 2021, the Government published its next steps on the enhancement of Building Regulations, the Future Homes Standard, and this will doubtless feature in future land negotiations. Nevertheless, as evidenced by our Worcester transaction where returns were in line with expectations, plus the high element of forward sales, we are confident about our prospects for 2021.

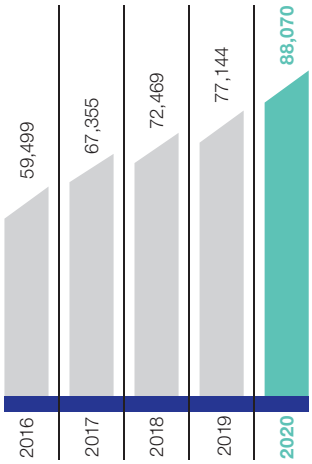
Plots sold

2,000



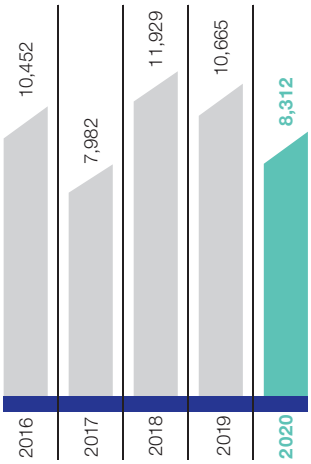
Residential land plots

88,070



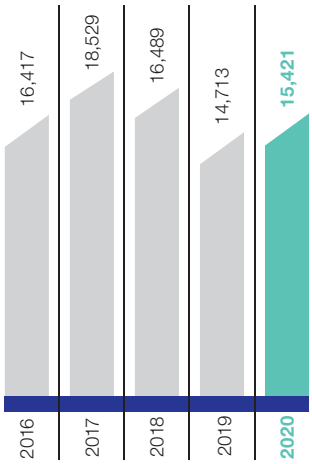
Plots in planning process

8,312



Plots with planning permission

15,421



Segmental Review
Property Investment and Development

Edward Hutchinson
Henry Boot Developments Limited

Darren Stubbs
Stonebridge Homes Limited

Property Investment and Development delivered a combined operating profit of £4.9m (2019: £17.8m).

In 2020, there was an acceleration in the recent divergence in property market performance with non-food retail and leisure assets severely impacted by trading restrictions for much of the year. According to the CBRE UK Monthly Index, commercial property values declined by 7.6% in 2020. Industrial was the only sector to deliver positive capital returns with investors attracted by secure income and continued rental value growth.

In 2020, Henry Boot Developments completed on developments with a GDV of £58m (Henry Boot Developments share £55m), with £41m of these schemes having been sold and £17m having been let and retained in the Group's investment portfolio. Industrial & logistics development formed 90% of our completed schemes and despite the pandemic, the UK market experienced high demand throughout 2020 with record annual take up. We have responded to this demand by committing to speculatively develop a total of 206,100 sq ft at Luton, Preston and Enfield. Additionally, we exchanged contracts on two new projects Phoenix 10; Walsall, which has the potential to deliver industrial and logistic units ranging from 21,000 to 415,000 sq ft, and Wakefield Hub, to jointly develop a 2,000,000 sq ft occupier led distribution depot, which is subject to planning.

In total, the committed development pipeline includes nine schemes with a GDV of £312m (Henry Boot Developments share £85m) and 2,611,000 sq ft, of which 88% is either pre-sold or pre-let. This includes our 533-unit BTR scheme in Manchester known as Kampus, which is due for completion in Q3 2021 as well as approximately £67m (Henry Boot Developments share £52m) of new industrial & logistics space. All of the schemes are either already on site or are expected to commence in Q1 2021 and are all due for completion before the end of 2021.

Committed Schemes

Scheme	GDV (£m)	Share of GDV (£m)	Commercial (sq ft)	Residential (units)	Status
Industrial					
Enfield	16	8	56	–	Speculative
Markham Vale, Orion	22	22	297	–	Pre-sold
Wakefield Hub, Kitwave	8	4	65	–	Pre-let
Preston	7	4	67	–	Speculative
Luton	14	14	82	–	Speculative
	67	52	567	–	
Residential					
Manchester, Kampus	216	11	44	536	Pre-sold
	216	11	44	536	
Land and other					
Wakefield Hub, Mountpark	15	8	2,000	–	Pre-sold
Skipton,	14	14	–	184	Pre-sold
	29	22	2,000	184	
Total for year	**312**	**85**	**2,611**	**720**	
% sold or pre-let	**88%**	**69%**			

Despite the challenges of CV-19, we have been successful in securing a number of new development opportunities. We have acquired sites at Mabgate in Leeds and St John's College in Manchester for a combined price of £12.6m with existing buildings of 60,000 sq ft and 27,000 sq ft respectively. Both sites are fully occupied and offer good short-term income returns whilst providing excellent medium-term redevelopment opportunities in strong urban regeneration settings. Adding to our industrial & logistics pipeline we have secured a position on 83 acres of land at Todwick just off J31 of the M1. The site has been secured under a promotion agreement with a view to creating over 1,000,000 sq ft of space, with a GDV of approximately £90m.

In addition to our committed schemes, we have a short to medium-term development pipeline with a total GDV of £1.4bn (Henry Boot Developments share - £1.1bn). All of these opportunities sit within our three core sectors of industrial & logistics (78%), urban residential (11%) and urban commercial (11%). The immediate focus on our development pipeline will be to commence remediation works at Phoenix 10, Walsall, capable of delivering 620,000 sq ft of industrial space and starting construction of our 95-unit build for sale residential scheme in Birmingham known as Cornwall House. At Wakefield Hub, we have submitted a joint application with our development partner to develop a 2,000,000 sq ft unit that will be pre-let prior to start on site, which we anticipate commencing on site in Q3 this year. Also, on this scheme post year-end, we will deliver a 260,000 sq ft pre-let industrial unit on behalf of a German pharmaceutical company. Subject to securing planning in mid-2021, work is expected to start on site in the second half of 2021 with the total GDV in excess of £30m.

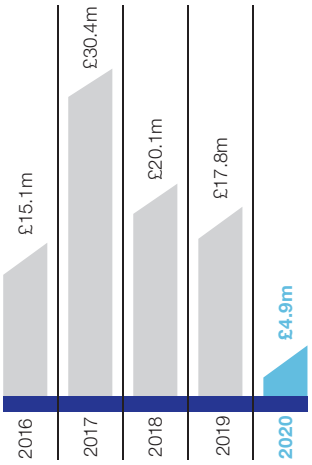
Having successfully sold the majority of the retail assets from our investment portfolio in 2019, we have made further progress against our revised strategy. The year-end value of the portfolio was £82.7m (2019: £70.0m), which reflected a modest 2.3% valuation decline on a like-for-like basis, outperforming the CBRE monthly index (-7.6%). The increase was principally as a result of retaining two completed assets amounting to £17.0m pre-let at Eden Farm, Luton (73,500 sq ft industrial unit) and Huyton (19,000 sq ft foodstore). Rent collection finished the year at 88% with the portfolio weighted average unexpired lease term now 12.9 years. Occupancy was at 84% as at 31 December 2020, although this has subsequently increased to 94% following post period end lettings at Blake House, Uxbridge and MV55, Markham Vale. We are confident of being able to continue to grow the investment portfolio from both retained developments and selective acquisitions with the objective of increasing the overall value to around £100m in 2021 and to approximately £150m over the medium term with a continued focus on the industrial & logistics sector.

Our jointly owned housebuilder, Stonebridge Homes, had a successful year, performing ahead of targets after achieving 115 house completions (90 private/25 affordable) (2019: 159), at an average selling price for private units of £368k (2019: £268k). As many households re-evaluated their housing needs, there was high demand from house buyers in H2 and we maintained a strong sales rate of 0.61 units per week per site over the year. Excluding April and May, when we temporarily closed all our construction sites and sales centres, the sales rate rises to 0.71. A price uplift of 2.7% was achieved over anticipated budget prices on the 90 private units sold in the year. We also secured a further 211 plots in the land bank including a key site in Wakefield in December, which has outline planning permission for 149 plots. The total owned and controlled land bank is now 1,119 plots, which at the current sale rates is a ten-year supply or four to five years supply, at our two-year forward forecast sales rate.

We begin 2021 in good shape and, to date, have secured 69 reservations (40 private/29 affordable) out of a delivery target of 120 plots (75 private/45 affordable). With home reservations currently running ahead of the comparable period last year, we continue to see positive signs that the market remains stable, leaving Stonebridge positioned to perform well and achieve its growth aspirations.

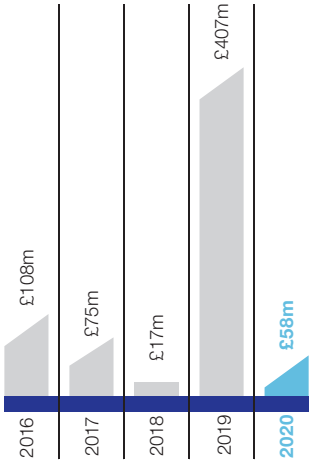
Operating profit

£4.9m



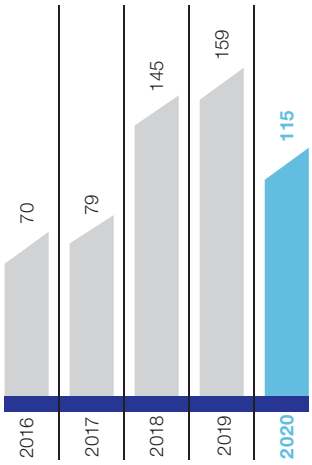
Completed developments GDV

£58m



Stonebridge Completions

115



Pictured top: Located in Manchester city centre, Kampus is a £250m BTR scheme. The site, is comprised of apartments, shops, restaurants and bars, and is set to complete in 2021.

Segmental Review
Construction

Simon Carr
Henry Boot Construction Limited

Giles Boot
Banner Plant Limited

Trevor Walker
Road Link (A69) Limited

Despite the challenging operating environment, the Group's construction segment, which also includes Banner Plant and Road Link (A69), achieved a combined operating profit of £6.5m (2019: £9.0m).

Henry Boot Construction performed ahead of expectations, with turnover of £86.2m (86% in public sector), against a total UK construction output decrease of 12.5% in 2020. The Office for National Statistics showed a record 40.7% monthly decline in April 2020, UK construction activity recovered during the remainder of the year with December 2020 output only 3.5% below the pre-CV-19 February 2020 level. These national trends were broadly reflected in both Henry Boot Construction and Banner Plant where, after a brief pause due to the first national lockdown, year-end activity levels had both recovered to 95%.

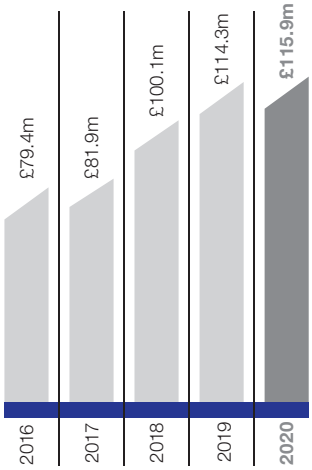
Our major £88.0m urban development scheme at The Glass Works, Barnsley, continued to progress at pace and is on schedule for handover this summer and works also continued on the £12.3m contract to transform the existing Opera North facilities in Leeds city centre, which is set for completion in 2021. Additionally, we signed a £40.0m contract to deliver the Kangaroo Works, a 364-unit residential BTR scheme and began works on a £42.5m mixed use urban development project, Heart of Sheffield, Block H. Both projects are located in the centre of Sheffield and start on site in Q2 2021. Unfortunately, our affordable housing business, Starfish Commercial, was materially impacted by CV-19 and we made the decision to place it into creditors' voluntary liquidation in H2.

Across several public sector frameworks, we completed three schemes with a total contract value of £8.2m, and throughout 2020 were active on a further six schemes at a total contract value of £35.5m. We secured our first project through the PAGABO framework and are taking another scheme through the pre-construction stage. We also secured a place on the new Crown Commercial Services framework in the North of England for projects up to £30.0m and a place on the NHS shared business services framework for projects up to £15.0m across our operational area.

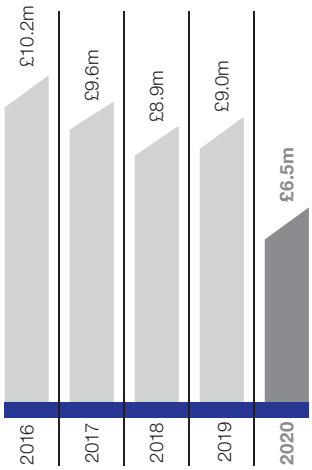
We have had a good start to the year securing new opportunities and are now ahead of our expectations having already secured a full orderbook for 2021. We are still receiving good tender opportunities and are well placed as the economy recovers through our presence on nine public sector national and regional frameworks, where we expect spend on construction projects will be maintained by the Government's Build Back Better policy.

Banner Plant's performance was impacted by the pandemic, but after the initial pause to readjust our operations to CV-19, all the depots continued to trade and remained profitable. With activity levels stabilising towards the end of the year, we are optimistic trading will be in line with our expectations for 2021. Due to CV-19 travel restrictions, Road Link (A69) traffic levels have been impacted resulting in a decrease in returns in 2020 and whilst we expect traffic levels to recover through 2021, we anticipate they will not fully return to pre-pandemic levels. With five years remaining on the contract, the hand back process will commence shortly to return the management of the A69 to Highways England.

Total turnover
£115.9m



Operating profit
£6.5m



Pictured: Kangaroo Works is a build to rent scheme in Sheffield within the 'Heart of Sheffield' masterplan. It will high-quality apartments, as well as five commercial units at ground level to provide active frontage to the streetscape, and is set for completion in 2023.

Financial Review

"The Group has delivered a commendable result against the challenging backdrop of 2020 and, having secured several investments in our key strategic markets, maintained its net cash position."

Darren Littlewood
Group Finance Director

A ROBUST SET OF RESULTS

What we did in 2020

The CV-19 pandemic had a significant impact on the Group's financial performance during the year. However, despite this we remain positive about what we have achieved:

- All operating segments remained profitable despite significant disruption and delays encountered
- Reset the 2020 budget and market expectations following the outbreak of CV-19 and successfully delivered against this target
- Increased the dividend on the prior year
- Maintained the Group's net cash position while securing additional investments in key strategic markets
- Renewed banking facilities on improved terms
- Established a strong order book and pipeline for 2021 and beyond

The Group has delivered a commendable result against the challenging backdrop of 2020 and, having secured several investments in our key strategic markets, maintained its net cash[1] position at the same level at which it commenced the year. UK housebuilders recovered from the initial UK lockdown well and whilst several transactions were secured in H2, they were all contracted to conclude in 2021, resulting in a 54% decrease in operating profit within our land promotion segment, although providing a strong start for the new year. The completion of The Event Complex Aberdeen (TECA) during 2019 gave our property investment and development segment a tough comparative, even without the pause on new work in the year, resulting in a 72% decrease in operating profit for the year.

Having disposed of £64.1m of completed Investment Property in 2019, mainly comprised of mixed-use retail-focused properties, reinvestment in property has started well with the portfolio now standing at £82.7m. This has been achieved through retention of self-constructed properties and, with a £1.4bn (Henry Boot Developments share £1.1bn) pipeline of opportunities, we can continue to retain choice assets and rebuild the portfolio, especially those in the industrial & logistics market.

Land promotion remains a long-term investment with disposals in the year being derived from sites with an average length of ownership of 11 years. With over 15,000 residential plots with planning permission, we estimate that we have around five years of sales in stock working towards disposal and with a total portfolio covering 16,607 acres we estimate that this could deliver around 88,000 units, assuming they were all successful.

Whilst the impact of CV-19 has continued into 2021, we started the year with land sales for 1,744 plots which have either already completed or are exchanged, awaiting completion. We also have committed property development work of £85m, 69% of which is pre-let, and our construction business has a full order book, now focusing on opportunities for 2022 and beyond.

Consolidated Statement of Comprehensive Income

Revenue decreased 41% to £222.4m (2019: £379.7m) as both the property investment and development and land promotion segments saw delays in transactional activity caused by the pandemic. In addition to this, there was lower activity in the property investment and development segment resulting from the completion in August 2019 of the £333.0m TECA project. The land promotion segment disposed of 2,000 plots (2019: 3,427), although this excludes land disposed of via the sale of our interest in a joint venture, which made a significant contribution to profit in H2. Construction segment revenue remained consistent as productivity on sites quickly recovered from the initial national lockdown and the

Summary financial performance

	2020 £'m	2019 £'m	Change %
Total revenue			
Property investment and development	**85.5**	192.2	-56
Land promotion	**21.0**	73.2	-71
Construction	**115.9**	114.3	+1
	222.4	379.7	-41
Operating profit/(loss)			
Property investment and development	**4.9**	17.8	-72
Land promotion	**14.2**	31.0	-54
Construction	**6.5**	9.0	-28
Group overheads	**(8.1)**	(7.5)	+8
	17.5	50.3	-65
Net finance cost	**(0.4)**	(1.2)	-67
Profit before tax	**17.1**	49.1	-65

business continued delivery of The Glass Works Phase 2, an £88.0m urban regeneration scheme for Barnsley Metropolitan Borough Council. Gross profit decreased 50% to £40.5m (2019: £81.0m) and reflects a gross profit margin of 18% (2019: 21%). Administrative expenses decreased by £0.9m (2019: £5.6m increase) despite including a £2.0m impairment of goodwill, as the business took measures to control expenditure levels in the year which included a 50% reduction in staff bonus payments, a 20% cut in salary and fees for main board Directors and participating in the Government CJRS. Following the year end, and having reviewed the Group's result, the Board took the decision to repay the CJRS monies received and 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 at work and on furlough.

Pension expenses of £4.6m (2019: £4.5m) are in line with the prior year charge. Since the year-end, the Group has commenced consultation with active members of the defined benefit pension scheme with a view to closing the scheme to future accrual.

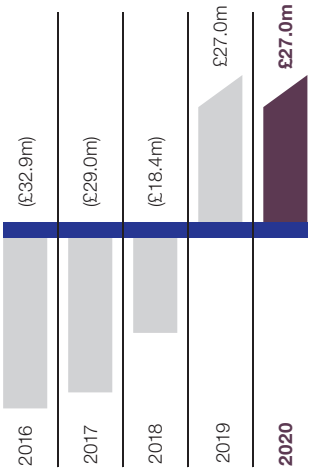
Property revaluation gains of £1.3m (2019: gains of £2.4m) were the net effect of uplifts of £5.7m (2019: £5.6m) generated largely from increases in the fair value of industrial assets, arising from the re-gearing of existing leases and completion of assets under construction, offset by the recognition of valuation deficits of £4.4m (2019: £3.2m) on a number of other properties, most notably retail-focused mixed-use assets.

Profit on disposal of joint ventures and subsidiaries of £7.4m (2019: £nil) includes the disposal of our 50% interest in a joint venture entity in our land promotion segment, which gave rise to a profit of £6.2m. In addition to this, Starfish Commercial Limited, a subsidiary in the construction segment, was placed into creditor's voluntary liquidation giving rise to a book profit on disposal of £1.2m.

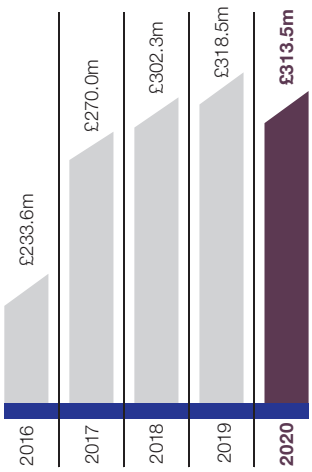
Overall, operating profits decreased by 65% to £17.5m (2019: £50.4m) and, after adjusting for net finance costs, we delivered a profit before tax of £17.1m (2019: £49.1m).

The segmental result analysis shows that property investment and development produced a reduced operating profit of £4.9m (2019: £17.8m) arising from industrial developments at Markham Vale, Luton, Southend and Sunderland, offset by rent concessions (rent collection standing at 88% for the year) and a £2.4m loss of rent on investment

Net cash[1]/(debt)
£27.0m



Net assets
£313.5m



Financial Review

property sales made in the prior year. Land promotion operating profit decreased 54% to £14.2m (2019: £31.0m) as we disposed of 2,000 residential plots during the year (2019: 3,427). Construction segment operating profits decreased to £6.5m (2019: £9.0m) as productivity levels were affected by the pandemic and reduced road traffic volumes impacted the Road Link (A69) PFI concession. The nature of deal-driven property and land promotion businesses, dependent upon demand from the major UK housebuilders, reliant on the UK planning regime and dependent upon market confidence are demonstrated in the movements within our mix of business streams. However, we continue to show how the benefits of a broad-based operating model allow us to dampen the impact in these cyclical markets during challenging times. While we maintain a significant pipeline of property development and consented residential plots, the variable timing of the completion of deals in these areas does give rise to financial results, which can vary depending upon when contracts are ultimately concluded. We mitigate this through the mix of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £3.4m (effective rate of tax: 20%) (2019: £9.6m and effective tax rate: 20%) and is higher than the standard rate due to impairment of ineligible goodwill and a dry tax charge on transfer of an asset from inventory to investment property offset by joint venture profits presented net of tax (2019: capital gains on the disposal of investment property). We currently have a £1.6m unrecognised deferred tax asset (2019: £2.1m), which can be utilised to offset future capital gains if they arise. Current taxation on profit for the year was £3.1m (2019: £9.3m), broadly in line with the standard rate of corporation tax. Deferred tax was £0.3m (2019: £0.3m).

Earnings per share and dividends

Basic earnings per share reduced 68% to 9.0p (2019: 28.3p) in line with the reduction in profit for the year. Following a rebasing in 2019, total dividend for the year increased 10% to 5.50p (2019: 5.00p), with the proposed final dividend increasing to 3.30p (2019: 1.30p), payable on 28 May 2021 to shareholders on the register as at 30 April 2021. The ex-dividend date is 29 April 2021.

Return on capital employed ('ROCE')

Lower operating profit in the year saw a reduced return on capital employed ROCE[2] of 4.9% in 2020 (2019: 14.8%). While the current return is impacted by the global pandemic, we continue to believe that a target return of 10–15% is appropriate for our current operating model and the markets in which we operate. We will continue to monitor this important performance measure over the business cycle, given the potential for market conditions to change quickly.

Finance and gearing

Net finance costs reduced to £0.4m (2019: £1.2m), helped by the Group's net cash surplus. We saw a significant shift from having net debt of £18.4m to net cash of £27.0m in 2019 and have maintained this cash reserve throughout 2020 ending the year as we started with £27.0m. We anticipate that interest costs will remain low through 2021 as we look to redeploy our current net funds during the year in line with our revised strategy.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties, disposal and joint venture profits) to net interest (excluding interest received on other loans and receivables), was 13 times (2019: 33 times). No interest incurred in either year has been capitalised into the cost of assets.

Our agreed banking facilities were renewed on 23 January 2020 increasing to £75.0m from £72.0m. The facility includes an additional accordion facility of £30.0m, which can be called upon at the Group's request. The new facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions, allowing the Group to extend the facility to 23 January 2025, on the same terms, subject to agreement by the banks. On 19 January 2021 the banks agreed to the Group request to exercise the first of these extensions extending the facility to 23 January 2024. These facilities remain undrawn at 31 December 2020 and 31 December 2019.

2020 year-end net cash[1] was £27.0m (2019: net cash £27.0m) resulting in the Group having no gearing (2019: no gearing). Total year-end net cash includes £2.9m (2019: £2.9m) of Homes and Communities Agency (HCA) funding, which is repayable from the future sale of residential units. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year, we operated comfortably within the facility covenants and continue to do so.

Cash flow summary

	2020 £'m	Restated 2019 £'m
Operating profit	**17.5**	50.4
Depreciation and other non-cash items	**(5.1)**	1.1
Net movement on equipment held for hire	**(1.0)**	(2.3)
Movement in working capital	**9.7**	(27.7)
Cash generated from operations	**21.1**	21.5
Acquisition of subsidiary	**—**	(0.2)
Net capital (investment)/disposals	**(9.5)**	52.9
Net interest and tax	**(6.8)**	(9.3)
Net dividends	**(3.6)**	(15.1)
Other	**(1.2)**	(4.4)
Change in net cash[1]	**—**	45.4
Net cash/(debt) brought forward	**27.0**	(18.4)
Net cash carried forward	**27.0**	27.0

During 2020, cash generated from operations amounted to £21.1m (2019: £21.5m) after net investment in equipment held for hire of £1.0m (2019: £2.3m), and cash generated by a net reduction in working capital of £9.7m (2019: £27.7m increase). Our decrease in working capital arises from collection of deferred land receipts relating to strategic land sales offset by continued investment in our house building land portfolio, property developments in progress and strategic land interests.

Net capital investment of £9.5m (2019: net disposals of £52.9m) arose from additions to investment property and property, plant and equipment of £12.9m (2019: £16.1m), which were offset by disposals of investment in property development, property, plant and equipment and joint ventures of £3.4m (2019: £69.0m).

Net dividends paid, totalled £3.6m (2019: £15.1m), with those paid to equity shareholders of £4.6m (2019: £12.6m) decreasing by 63% and, dividends to non-controlling interests of £1.2m, being offset by dividends received from joint ventures during the year of £2.2m (2019: £nil).

After net interest and tax of £6.8m (2019: £9.3m), there was no overall movement in net cash (2019: reduction £45.4m), resulting in net cash of £27.0m (2019: £27.0m).

Statement of financial position summary

	2020 £'m	2019 £'m
Investment properties and assets classified as held for sale	**82.7**	70.0
Intangible assets	**4.3**	6.8
Property, plant and equipment, including right-of-use assets	**25.9**	28.1
Investment in joint ventures and associates	**5.8**	6.6
	118.7	111.5
Inventories	**200.8**	169.7
Receivables	**85.6**	127.1
Payables	**(89.6)**	(98.5)
Other	**7.4**	4.7
Net operating assets	**322.9**	314.5
Net cash[1]	**27.0**	27.0
Retirement benefit obligations	**(36.4)**	(23.0)
Net assets	**313.5**	318.5
Less: Non-current liabilities	**51.4**	34.1
Capital employed	**364.9**	352.4

Investment properties increased in value to £82.7m (2019: £70.0m), following the construction and retention of an industrial asset at Luton and a retail asset at Huyton.

Intangible assets reflect the Group's investment in Road Link (A69) of £2.7m (2019: £3.0m) and goodwill of £1.6m (2019: £3.9m). The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12, and arises because the underlying road asset reverts to Highways England at the end of the concession period in 2026. Goodwill decreased in the year, following the Board's decision to place Starfish Commercial Limited, a company in the construction segment, into creditors voluntary liquidation resulting in an impairment of £2.0m.

Property, plant and equipment comprises Group occupied buildings valued at £6.9m (2019: £7.5m) and plant, equipment and vehicles with a net book value of £19.0m (2019: £20.6m), including £2.1m (2019: £6.1m) of right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have decreased slightly as new additions of £3.6m (2019: £6.7m) are offset by disposals and the depreciation charge for the year. Right-of-use assets have decreased in the year as the Group used excess cash to settle outstanding finance lease obligations.

Investments in joint ventures and associates reduced to £5.8m (2019: £6.6m) following a dividend distribution of £2.2m. We continue to undertake property development projects with other parties where we feel there is a mutual benefit. We anticipate that these opportunities will continue to increase as we finalise several schemes with interested parties partnering with us to utilise our development expertise.

Inventories were £200.8m (2019: £169.7m) and saw an increase in our house-builder land and work in progress to £39.2m (2019: £36.3m) as we continue to invest in land, and having carried 49 reservations (24 private/25 social) into 2021. Property inventory increased to £44.4m (2019: £31.7m) having invested in short-term income generating assets in Leeds and Manchester with medium-term development opportunities and strategic land inventory increased to £117.2m (2019: £101.7m) as we continue to invest in owned land and land interests held under agency agreements at a lower capital cost. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal.

Receivables decreased to £85.6m (2019: £127.1m) due to a decrease in transactional activity. Deferred payment receivables remain a function of the number and size of strategic land development schemes sold, and levels of construction contract activity undertaken.

Payables decreased to £89.6m (2019: £98.5m) with trade and other payables broadly in line with the prior year, provisions decreasing to £5.9m (2019: £7.0m) as strategic land provisions are utilised, contract liabilities decreasing to £7.4m (2019: £9.9m), arising from payments received for work not yet undertaken, and current tax liabilities decreasing to £1.1m (2019: £4.7m) due to changes in the HMRC payment regime.

Net cash[1] included cash and cash equivalents of £42.1m (2019: £42.3m), borrowings of £12.9m (2019: £10.7m) and lease liabilities of £2.2m (2019: £4.6m). In total, net cash remained at £27.0m (2019: 27.0m).

At 31 December 2020, the IAS 19 pension deficit relating to retirement benefit obligations was £36.4m, compared with £23.0m at 31 December 2019, adversely affected by a reduction in the discount rate applied to future liabilities to 1.4% (2019: 2.0%). The pension scheme's assets continue to be invested globally, with high-quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks. They then make changes, as the Trustee considers appropriate, in conjunction with investment advice from ISIO.

Overall, the net assets of the Group decreased by 2% to £313.5m (2019: £318.5m) from retained profits offset by the increase in retirement benefit obligations and distributions to shareholders. Net asset value per share[3] decreased 2% to 235p (2019: 239p).

Darren Littlewood
Group Finance Director

16 April 2021

1. Net cash is an APM (alternative performance measure) and is reconciled to statutory measures in note 33 to the financial statements.
2. ROCE is calculated as operating profit divided by average total assets less current liabilities.
3. Net Asset Value per share is an APM and is defined using the statutory measures net assets / ordinary share capital.

Key Performance Indicators

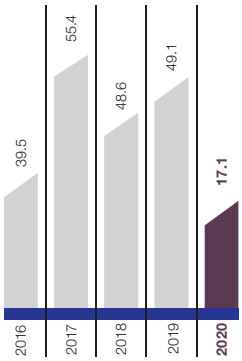
The KPIs listed below are measurements against the Group's 2020 strategy performance.

Financial KPIs

1

Profit before tax

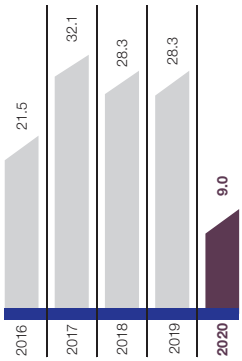
£17.1m



2

Earnings per ordinary share

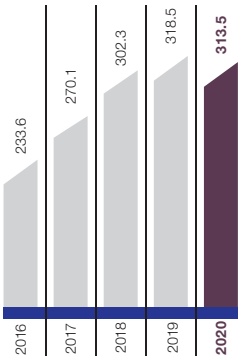
9.0p



3

Net assets

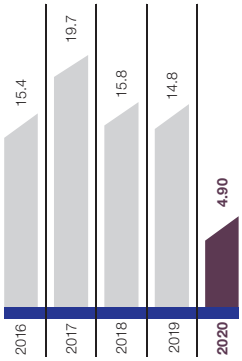
£313.5m



4

Return on capital employed

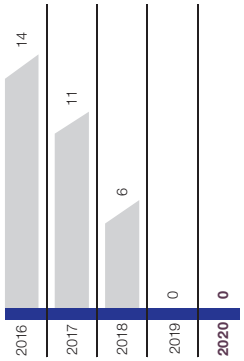
4.90%



5

Gearing levels

nil%

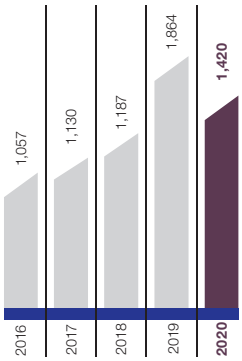


Non-financial KPIs

6

Personal development days

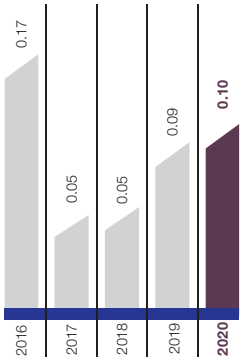
1,420



7

Accident frequency rate

0.10

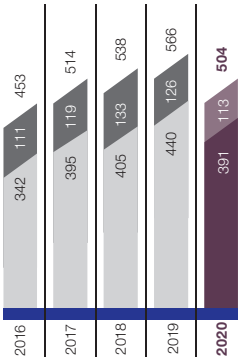


8

Employee profile

Female
Male

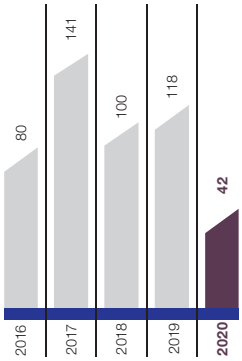
504



9

Employee intake

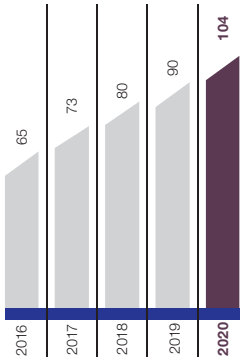
42



10

Employee turnover

104



Operational segmental KPIs

LAND PROMOTION

L1 Profit before tax
▼ £14.0m
56% decrease

L2 Land portfolio
▲ 16,607 acres
11% increase

L3 Plots with planning permission
▲ 15,421
5% increase

L4 Plots submitted for planning permission
▼ 8,312
22% decrease

L5 Profit per plot
▼ 6,456
35% decrease

L6 Plots sold
▼ 2,000
42% decrease

Read the **Land promotion review** on page 32

PROPERTY INVESTMENT AND DEVELOPMENT

D1 Total revenue
▼ £85.5m
56% decrease

D2 Profit before tax
▼ £5.6m
58% decrease

D3 Committed GDV
▼ £85.0m
21% decrease

D4 Henry Boot Developments pipeline GDV
▶ £1.1bn
-

D5 Proportion of pre-sold/ forward funded
▲ 100%
9% increase

D6 Number of plots sold (SH)
▼ 115 plots
28% decrease

D7 Number of plots in portfolio (SH)
▲ 1,119 plots
9% increase

Read the **Property investment and development review** on page 34

CONSTRUCTION

C1 Total revenue
▲ £115.9m
1% increase

C2 Profit before tax
▼ £6.7m
29% decrease

C3 Average contract size won
▼ £13.6m
9% decrease

C4 Constructing excellence – service score
▲ 9.13
4% increase

Read the **Construction review** on page 36

Our Response to CV-19

THE SAFETY AND WELFARE OF ALL STAKEHOLDERS HAS BEEN A KEY PRIORITY

Overview

Throughout the pandemic, the Group's key priority has 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 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. The business also made various adjustments in response to support the Group and to protect its strong financial position during the pandemic, aiming to treat all stakeholders fairly.

Coronavirus Committee

In response to the initial outbreak of CV-19, the Group set up a Coronavirus Committee to develop an action plan to ensure the business adapted to the pandemic and protected the welfare of employees and stakeholders. The committee has representatives from all the Group and continues to meet weekly to assess Government guidance and to provide regular updates to our employees.

Board's oversight

The Board took all of the Group's stakeholder requirements into consideration when making decisions to protect Henry Boot's strong position. The Board has constantly fed into the Coronavirus Committee's action plan and continued to liaise regularly with our people through the Group Employee Forum.

Read more about the **Board's response to CV-19** on page 82

CV-19 timeline

(31 December 2019–2020)

PHASE 1: FIRST WAVE

28 Feb: UK confirms first case of the illness passed on inside the country, and the global stock markets have their worst week since the 2008 financial crisis.

11 Mar: WHO declares the virus a pandemic.

PHASE 2: FIRST UK LOCKDOWN

23 Mar: UK lockdown measures announced.

20 Apr: UK lockdown measures extended by three weeks.

PHASE 3: EASE OF LOCKDOWN

10 May: Plans for the easing of lockdown announced.

26 May: The WHO warns of 'second peak' as countries begin to ease lockdowns.

PHASE 4: SECOND WAVE

8 Sept: UK bans gatherings of more than six people over fears about a second wave.

12 Oct: UK announces a new three-tier system for CV-19 restrictions in England, with many regions in the North of England immediately entering the higher tiers of restrictions.

19 Oct: Wales announces two week 'firebreak' lockdown.

PHASE 5: SECOND UK LOCKDOWN

The leaders of the UK's four nations agree on plans for Christmas that will allow three households to meet up indoors and outdoors for five days from 23 to 27 December.

26 Nov: England's new tier system is announced, to come into force on 2 December.

2 Dec: The UK becomes the first country in the world to approve the Pfizer/BioNTech CV-19 vaccine.

PHASE 6: THIRD UK LOCKDOWN

The Government announce that England will enter a third lockdown from 5 January, with similar restrictions to the first lockdown in March 2020, including school closures to all pupils except from children of keyworkers and vulnerable children.

Our response to CV-19

As a business, we have had to respond to the ever-changing situation. Our response both internally and externally has been coordinated by the Group's Coronavirus Committee, whose priority has been to protect our stakeholders and maintain the Group's strong position.

PHASE 1: FIRST WAVE

Description

- Coronavirus Committee formed, comprised of employees from across the Group, to react to the changing situation and protect the welfare of stakeholders.
- Early precautions were taken, increased measures in all offices, sites and depots to prevent the spread of the virus. Sanitising stations, signage and less touchpoints.
- Updates were regularly provided to employees, specifically to advise employees not to attend face-to-face meetings or gatherings, and to avoid unnecessary travel.

PHASE 2: FIRST UK LOCKDOWN

Description

- All of the Group's office network closed and the business made a quick decision to pause activity on all construction sites and close depots, except where essential work or supplies were being delivered to the NHS.
- Collaborated closely with industry bodies such as the CLC, NFB, CBI and UK Government Ministers to ensure the correct safety procedures were in place once operations resumed.
- To protect the Group's strong financial position and to preserve cash, the Board made the decision to pay a reduced final 2019 dividend, awarded only half of all awarded bonuses and reduced PLC Board pay by 20%.
- Supported the NHS Nightingale Hospital programme, after a unit at our joint venture development scheme, the International Advanced Manufacturing Park, was selected for conversion into a temporary hospital.

PHASE 3: EASE OF LOCKDOWN

Description

- All construction sites and depots resumed activity at reduced output, working to the Henry Boot and CLC Site Operative Procedures (SOP).
- The Group began a phased reopening of offices at a limited capacity. New operating procedures for each office location were implemented, and all employees were required to be inducted back into the office.
- CEO Tim Roberts and the Coronavirus Committee delivered a webinar to all employees. It provided an update on the Group's situation, outlined the changes caused by CV-19.
- The Company's 100th AGM was delivered remotely for the first time in Henry Boot's history.

PHASE 4: SECOND WAVE

Description

- In line with Government advice, reduced the office capacity number to essential employees only and made it mandatory for employees to work from home if possible, in their job role.

PHASE 5: SECOND & THIRD UK LOCKDOWN

Description

- After the announcement of the second lockdown the Group office network closed down but construction sites and depots remained open, adhering to the Henry Boot and CLC Site Operative Procedures (SOP) in place.
- Several first aiders within the Group volunteered in supporting the NHS roll out of the Coronavirus vaccine.

PHASE 6:

Description

- After the announcement of the third lockdown in January 2021 the Group office network remained closed. However, Henry Boot carried on after the Government confirmed that construction and housebuilding activities were able to do so during this lockdown.
- Work from home where possible mandate remained in place.

Beyond 2020

In January 2021 the UK entered a third lockdown after a severe increase in CV-19 infections rates. The Government did however confirm that construction and housebuilding activities should continue during the latest CV-19 lockdown, allowing Henry Boot to carry on, in line with CV-19 secure guidelines, delivering a high-quality service to its customers and the communities in which it operates.

CV-19 will remain an important focus and there are clearly still challenges to face but, with the correct safety procedures in place, we are confident we can continue operating in a safe manner.

Section 172(1) Statement

CONSIDERING STAKEHOLDERS IN DECISION-MAKING

Our approach

We identified our key stakeholders during our work on the Henry Boot Way in 2017, being those groups whose interests and views are vital to the operation and culture of the Group, as embodied within our Purpose:

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

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

Our strategy as contained at pages 30 and 31 considers very carefully the interests and needs of a number of our key stakeholders in the context of many macro trends. The needs of our customers, for example, are a key driver to shape the focus of our strategic approach, and alongside this the requirement for support of our most important resource – our people – plays a large part in the Board helping to guide the business in achieving its strategic aims.

As we explain in our Governance Report "How the Board engages with stakeholders" (page 88), we think carefully about the methods of engagement both directly with stakeholders and in the form of information flow to the Board from subsidiaries, the Executive Committee and others about stakeholder views and issues.

It is the aim of our Board and its Committees to always give proper consideration to stakeholder interests when taking decisions, and whilst recognising that not all decisions will be equally positive for all stakeholders, it is nevertheless important for all issues to be considered.

Board information

- Leadership and management receive training on Directors' duties to ensure awareness of the Board's responsibilities
- Our Board and senior leaders continually engage with stakeholders (Set out stakeholder engagement section on pages 88 to 89)
- Board papers on Reserved Matters include consideration of stakeholder interests and relevant information relating to them

Strategic considerations

- s.172 factors considered in the Board's discussions on strategy – for example, ESG considerations (relating to environment, communities and employees in particular) were a strong focus in formulation of ESG Strategy
- Chair ensures decision making is sufficiently informed by s.172 factors
- Links to purpose and vision as well as business model

Board decision making

- Outcomes of decisions assessed and further engagement and dialogue undertaken – see example regarding CV-19 financial response
- Actions taken as a result of Board engagement – see for example the Employee Engagement section on page 86
- Action aligns with our culture, The Henry Boot Way – Integrity, Respect, Delivery, Collaboration, Loyalty and Adaptability

Future developments

- In 2021, the template for all Board papers will include routine s.172 considerations
- Key Performance Indicators linked to Strategy, such as the Employee Net Promoter Score, to be introduced across the Group
- Executive Committee has been reformed and will also factor stakeholders into decision making and matters referred to the Board

Section 172 considerations key

- likely consequences of decisions in the long term
- the interests of the Company's workforce
- the need to foster relationships with suppliers, customers and others
- impact of operations on the community and environment
- high standards of business conduct
- the need to act fairly between members of the Company

Financial response to the CV-19 pandemic

Link to Section 172 considerations

- Acknowledging that whilst the Group achieved a great result in 2019 which deserved recognition and that all employees continued to work hard during the difficult operating conditions of 2020, the Board's decision had to reflect the unprecedented economic position that Henry Boot, like all other companies, faced in dealing with the effects of the pandemic.
- The Board took into account market sentiment regarding the suitability of maintaining payments of dividends and bonuses during extreme market turbulence.
- The Board also considered the necessity of ensuring the preservation of resources required for the long-term sustainable success of the Group when revenues may be affected.

Outcomes and actions

The decision was taken that to maintain the anticipated 2019 bonuses would be challenging, where a proportion of the Group's employees have been furloughed and where the Group had been required to take difficult decisions regarding its cash flow and resulting dividend payments. As a result, half of the anticipated bonus for all employees, including the Executive Directors, was awarded in relation to its 2019 results. The intention was to mirror the experience of shareholders, as dividend levels were reduced such that the total dividend paid in respect of 2019 was half of its anticipated amount. In addition, the Board (both Executive and Non-executive Directors) took a 20% reduction in their base salary or fees (as applicable) for the duration of the most severe impact of the CV-19 pandemic, until October 2020. However, as explained on pages 107 and 108 of the Remuneration Report, the salary deduction to Executive Directors has now been paid, mirroring the experience of furloughed employees whose salaries were topped up to 100%. The outcomes of these decisions have been assessed with various stakeholder groups and have overwhelmingly been supported by those groups as being appropriate and measured actions to take given the prevailing circumstances at the time.

As is also explained within the Director's Remuneration Report on pages 120 to 121, for 2020 the decisions regarding bonus outcomes for Executive Directors have also been taken to be consistent with the approach for that of the wider workforce.

Strategy Day

Link to Section 172 considerations

- The Board considered carefully the shorter term and five-year strategic objectives of the Group, taking into account key areas of focus in light of macro trends and stakeholder requirements.
- The People Strategy was a major component of the Strategy Days, ensuring that the Group is thinking about the best ways to attract and retain its key asset – its people – to deliver its strategy.
- Also important factoring into strategic development was the wider impact of the Group's activities on the environment.

Outcomes and actions

By reformatting its Strategy Day approach for 2020, having two days of discussion (the first of which included the full Executive Committee), the Board has had the opportunity to test out a number of areas of key focus and development for the Group's Strategy from 2021 onwards. The outcomes of this can be seen on our pages on Strategy (page 91). The short and medium-term strategic objectives will be brought to the Board on a quarterly basis for monitoring, in order to ensure continual progression in delivery.

ESG

Link to Section 172 considerations

- The Board has committed to more focused activity in 2020, acknowledging that there was more to be done in relation to addressing concerns of the wider market and stakeholders on ESG issues, and recognising that previous practices did not amalgamate our approach in this area in such a way as to be easily understood.
- Naturally by launching initiatives relating to environmental, social and governance issues, this will focus initiatives on improving the Group's approach to community engagement and environmental impacts.
- Henry Boot's Values have always reflected our desire to be a good corporate citizen, and by launching our Responsible Business Strategy in 2021 the Board can re-emphasise its commitment to those Values in other tangible ways.

Outcomes and actions

The appointment of a Responsible Business Manager during 2020 has been instrumental in assisting Henry Boot to be more strategic around its approach to Environmental, Social and Governance matters, as can be demonstrated in the Responsible Business section (see pages 55 to 65). This has launched a more consolidated approach to ESG issues for 2021, through the first phase of our new Responsible Business Strategy, 135 Henry Boot, and will lead to the launch of phase two of our Responsible Business Strategy in January 2022.

The Board has also confirmed the formation of a new Board Responsible Business Committee. This Committee will provide oversight, scrutiny and leadership on Henry Boot's ESG performance and ambitions.

Risks and Uncertainties

MANAGING OUR RISKS

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

Overview

As a Group, Henry Boot takes a cautious approach to risk. We aim to be the safest place to work in the markets in which we operate, to maintain financial strength through effective cash management and to invest prudently in pursuit of our strategic priorities.

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

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

Risk appetite

The Group's risk appetite and tolerance levels are reviewed annually by management and the Audit and Risk Committee and guide the risk process. The Group has no appetite for safety-related risk or undue financial exposure and will not pursue additional income generating or cost-saving initiatives unless returns are probable.

Risk management framework

The principal components of the Group's risk management framework comprise the risk strategy, risk appetite and tolerance statement, risk registers and the risk heat map. Although the process of risk identification, assessment and response is continuous and embedded within the day-to-day operations of each business segment, it is consolidated, reported and reviewed at varying levels throughout the Group on an annual basis as part of the strategy review process. The Board reviews all principal risks including consideration of how risk exposures have changed during the period and any new risks arising from the risk registers.

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

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

Emerging risks

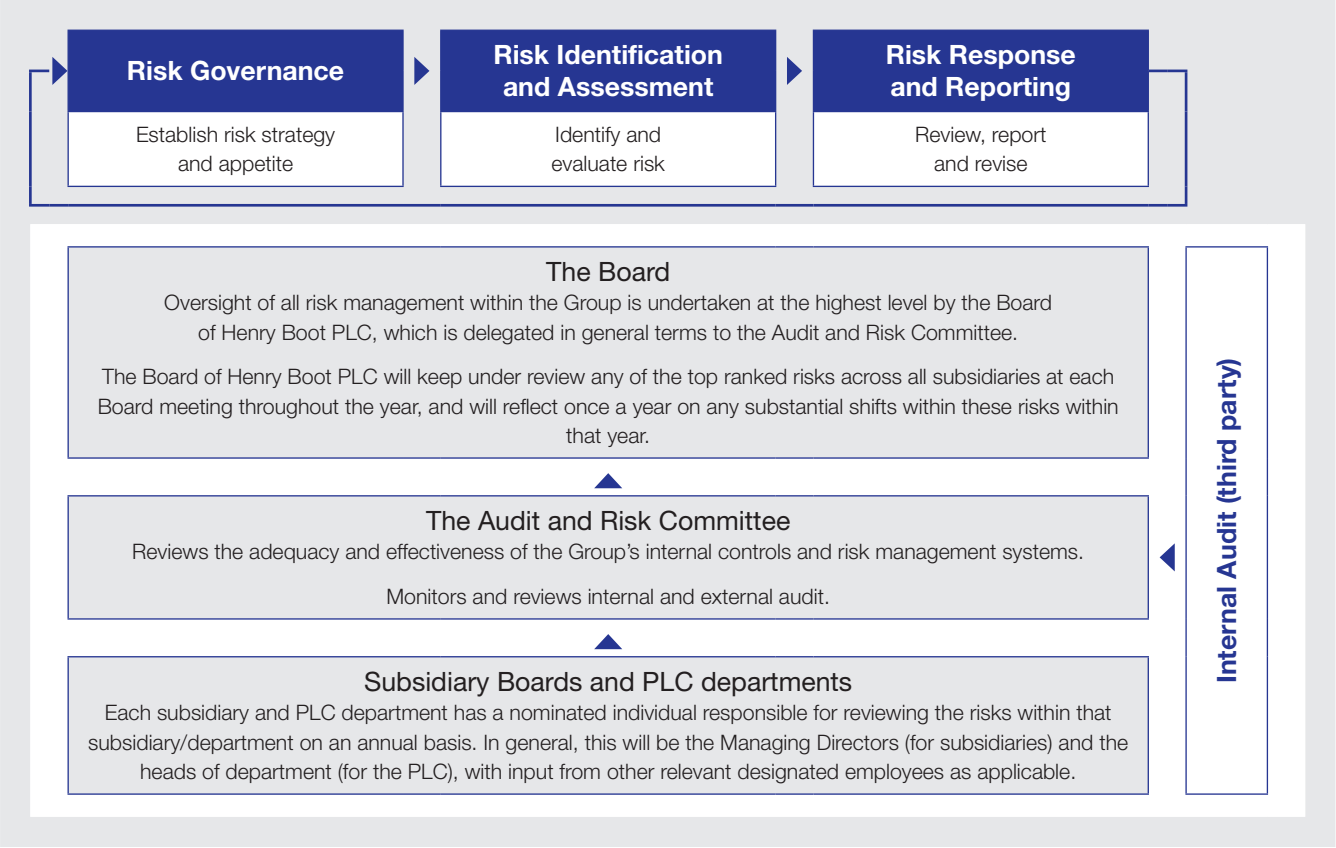
The Group believes that its emerging risks are inextricably linked to emerging trends in our market place and more widely to global events. Such trends include urbanisation, demographics, technology, political and environment. Failure to keep pace with these changes could result in additional risk exposure to the Group. Management have therefore undertake horizon scanning exercises which form key considerations in the Group's risk and strategic planning.

CV-19

The **impact of CV-19** on each risk and the **mitigating actions** adopted in response are detailed on pages 50 to 53

CV-19 was added as a new principal risk in 2021, with the Group establishing mitigation processes to protect the Group and its people. As the impact of the pandemic is now better understood, the principal risk has been removed and embedded into the Group's other principal risks, and given its importance is separately considered against each principal risk presented in this report.

Further detail on our response to CV-19 can be found on page 44 of the annual report with the financial impact considered in the going concern and viability section on page 53 and 54.

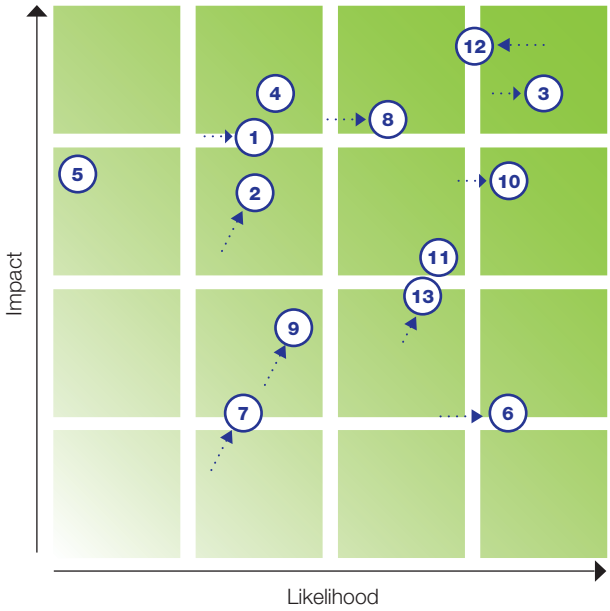


Risk heat map

The risk heat map illustrates the 13 principal risks identified by the Board as having a potential material impact on the Group. The risks have been plotted by the Group Board/Audit and Risk Committee based on a common understanding of the risk appetite of the Group. The risks are presented gross (before taking account of mitigating actions).

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

1. Safety
2. Environmental & climate change
3. Economic
4. People & culture
5. Funding
6. Cyber
7. Pensions
8. Construction contracts
9. Property assets
10. Property development
11. Land sourcing
12. Land demand
13. Political



Our Risks

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

Group risks

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
1 **Safety** Inherent risk within all of our businesses but most notably within construction activity	Ensure sites, depots and offices remain safe and secure environments	▲ The impact of the pandemic and new government guidance and regulations		• Priority consideration at all Group and subsidiary Board meetings • Robust training, policies, procedures and monitoring • Construction operation is OHSAS 18001 approved Health and Safety management system • Internal independent Health and Safety department conducts regular random inspections • Routine Director, senior manager or independent health and safety inspections • CLC guidelines being followed for enhanced safety procedures • Coronavirus Committee established to steer, manage and communicate the Group response
2 **Environmental and climate change** The Group is inextricably linked to the property sector, and environmental considerations are paramount to our success. The legal, financial and reputational damage which can occur from not being compliant all carry significant risk to the Group		▲ Growing relevance and impact of climate change and net zero carbon targets		• The interaction with the environment and the agencies that have an overarching responsibility has to be positive at all times in order to meet our obligations • Construction environmental risk is managed through the operation of an ISO 14001 approved environmental management system • Internal design helps mitigate environmental planning issues • Record of awards given in respect of good safety and environmental performance • Environmental Impact Assessments are carried out for all construction activities. These detail the action required to eliminate or reduce environmental impacts • Responsible Business Manager appointed • 135 Henry Boot project to define policy and strategy • Net Zero Carbon working group established
3 **Economic** The Group operates solely in the UK and is closely allied to the real estate, housebuilding and construction sectors. A strong economy with strong tenant demand is vital to create long-term growth in rental and asset values, while at the same time creating a healthy market for the construction and plant hire divisions	Inability to meet contractual commitments and wider operational delays	▲ Macroeconomic uncertainty		• Strong Statement of Financial Position with no gearing and a long-term shareholder base means that we can ride out short-term economic fluctuations • Different business streams increase the probability that not all of them are in recession at the same time • The City recognises the Group is a cyclical business and understands performance will be affected by economic cycles • Directors and shareholders share a common goal of less aggressive leveraging than some competitors • Banking partners continue to be supportive • CV-19 largely results in delays rather than loss

Key

Change during the year

▲ Increased ▼ Decreased — No change

Group strategic priorities

Safety · People · Delivery · Growth

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

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
4 **People and culture** 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	Negative effects of working remotely on wellbeing and mental health	—		• This risk is increased when unemployment falls and labour markets contract • Long-term employment records indicate that good people stay within the Group • The Group encourages equity ownership • Proven record of sharing profits with staff • Succession planning is an inherent part of management process • Regular updates to employees through various channels to keep up to date on CV-19 and its impacts
5 **Funding** The lack of readily available funding to either the Group or third parties to undertake property transactions can have a significant impact on the marketplace in which we operate		—		• The Group has agreed three-year facilities with its banking partners, which run to January 2024 and are backed by investment property assets • A good level of interest from the banks in tendering for the renewed facilities in 2019, facility renewed January 2020 • Detailed cash requirements are forecast up to 15 months in advance, and reviewed and revised monthly • Five-year business plan created as part of strategic review • As a PLC, access to equity funding is available should this be required
6 **Cyber** Unauthorised access to systems, hacking, malware and distributed denial of service could all lead to data loss, business disruption, reputational damage or financial loss	Increase in cyber threat as people work remotely	▲ Level of remote working		• Employee awareness updates distributed routinely • Use of software and security products and regular updates thereof • Detailed disaster recovery plans • External vulnerability and threat management reviews • Internal mock attacks carried out
7 **Pension** The Group operates a defined benefit pension scheme that is closed to new members. While the Trustees have a prudent approach to the mix of both return-seeking and fixed-interest assets, times of economic instability can have an impact on those asset values with the result that the reported pension deficit increases. Furthermore, the relationship between implied inflation and long-term gilt yields has a major impact on the pension deficit and the business has little control over those variables	Negative impact on scheme assumption's in particular the discount rate	▲ CV-19 impact on assumptions		• Operation of Trustee-approved Recovery Plan • While pension schemes are a long-term commitment, regulations require the Group to respond to deficits in the short term • The move out of gilts provides a cushion should interest rates rise • Risk mitigated by move to quoted investments including pooled diversified growth funds • Treat pension scheme as any other business segment to be managed • Strong working relationship maintained between Company sponsor and pension Trustees • Use good quality external firms for actuarial and investment advice • Looking to close scheme to future accrual

Our Risks

Group risks

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
8 **Construction contracts** Changes in terms and conditions of standard contracts exposing the Company to major financial and design liability risks	Increased costs and delays to programme	▲ Supply chain delivery and viability in current environment Tight margins in the industry give rise to additional contract risk		• Preliminary commercial appraisal • Directors closely involved • Standard position set out in guide for staff • Experienced legal and commercial management • Project-specific tender risk register • Use of pre-construction services agreements help to mitigate cost and risk
9 **Property assets** Investment property asset are not marketable and are without secure tenancies. Valuations are volatile		▲ Tenancy risk		• Monthly performance meetings • Defined appraisal process • Monitoring of property market trends • Highly experienced development team • Flexible to market trends in development requirements • Diverse range of sites within the portfolio and over £1.1bn pipeline of future opportunities • Portfolio strategy actively managed and covenants regularly reviewed
10 **Property development** Construction and client risk which is not matched by commensurate returns on development projects. Clients not taking up new lettings on speculative schemes.		▲ Less interest from clients to take up speculative developments in some sectors		• 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 • Highly experienced development team • Flexible to market trends in development requirements • Diverse range of sites within the portfolio and over £1.1bn pipeline of future opportunities
11 **Land sourcing** The inability to source, acquire and promote land would have a detrimental effect on the Group's strategic land portfolio and income stream		—		• Monthly operational meetings detail land owned or under control, new opportunities and status of planning • Acquisitions are subject to a formal appraisal process, which must exceed the Group-defined rate of return, and is subject to approval by the Group's Executive Directors • Land portfolio of 16,607 acres with aspiration to grow further • Finance available to support speculative land purchases • Well-respected name within the industry that demonstrates success • Housebuilder land portfolio at 1,119 residential plots

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
12 **Land demand** A dramatic change in housebuilder funding sentiment and demand for housing can have a marked change on the demand and pricing profile for land		▼ Reflects current level of demand from housebuilders		• The Group's policy is to only progress land that is deemed to be of high quality and in prime locations • The business is long term and is not seriously affected by short-term events, or economic cycles • We recognise cyclicality in our long-term plans and operate with a relatively low level of debt • Greenfield land is probably the most sought-after land to build upon • Long-term demographics show a growing trend; therefore, demand for land will follow • Housebuilders have very good land portfolios and are selective, targeting prime locations
13 **Political** Political decisions, events or conditions can have a significant impact on the Group. Changes in government or government policy towards planning policies could impact on the speed of the planning consent process or the value of sites		▲ Planning process delays		• The Group's highly skilled in-house technical and planning teams monitor changes in the market and in the planning process, and react accordingly to ensure that planning consents are achieved in a cost-effective and timely manner • Large land portfolio can help smooth short-term fluctuations • A high profit margin can be achieved when successful • No revaluations are taken on land through the planning process, which reduces valuation risk in a downturn. Therefore, though profits may be reduced if site values fall, the Group should still achieve a profit on sale

Going concern

In undertaking their going concern review, which covers the period to December 2022, the Directors considered the Group's principal risk areas, including the ongoing impact of the CV-19 pandemic, that they consider material to the assessment of going concern.

CV-19 impacted the business by slowing down the activity levels within 2020, particularly for the first half of the year. The second half of 2020 saw the Group returning to more normal activity levels which has continued into the early part of 2021.

Following the third national lockdown and ongoing impact of CV-19, the Directors have further considered its potential impact on the Group in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario to include a curtailment of activity where no sales from the Construction or Developments businesses are made unless already committed. For Hallam Land, no sales are assumed in 2021 unless already contracted, with a *c.*20% reduction in sales from the base case for 2022. For Stonebridge Homes a 5% decline in house prices is assumed throughout the assessment period and Banner Plant is assumed to mirror depressed activity levels in FY20. This downside model assumes that acquisition and development spend is restricted other than that already committed. Having started 2021 in a £27.0m net cash[1] position, a position which has been improved upon over the first part of 2021 with *c.*£38.0m net cash held by the Group and facilities of £75.0m, at 26 February 2021, the Directors have concluded that the Group is able to control the level of uncommitted expenditure, allowing it to retain cash and position itself well in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Company meets its day-to-day working capital requirements through a secured loan facility (see note 25 of the Financial Statements). The facility was renewed on the 23 January 2020, at a level of £75m, for a period of three years and extended in January 2021 by one year to 23 January 2024 on the same terms as the existing agreement. The facility includes an accordion to increase the facility by up to £30.0m, which can be requested by the Company at a time of its choosing. None of the modelling undertaken by the Directors gives rise to any

Our Risks

breach of bank facility covenants. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 14% reduction in revenue and near 36% reduction in profit before tax from our base case for 2021, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2022.

At the time of approving the Financial Statements the Directors expect that the Company and the Group will have adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Viability statement

Introduction

The business model and strategy of Henry Boot PLC can be found on pages 18 to 21 and pages 30 and 31 in the Strategic Report. These documents outline the long-term business model and are central to the understanding of how the Group operates. We have operated the current business model successfully since 2004 and have a 135-year unbroken trading history. By their nature the Group's activities tend to be very long term, especially in the land promotion business and increasingly within property development. The Group's strategy and experience in the markets in which we operate has been built up over many years. Over the last ten years, the Group has reported an average profit before tax of £32.0m per annum, added over £126.0m to net assets (an increase of some 80%) and paid 60.25p per share in dividends, all from the trading segments it now operates, and at no stage in the last economic downturn, between 2008 and 2010, nor during 2020 with the outbreak of CV-19, did the company make a trading loss.

The assessment processes

The Group's prospects are assessed through a three year forecasting process led by the PLC Board Executive Directors and the Boards of the individual subsidiaries. A detailed two-year bottom up budget is agreed prior to the commencement of the current financial year, reforecast each month throughout the financial year within each business and consolidated at a Group level. As a largely deal-driven business, it is considered inappropriate to attempt to prepare detailed bottom-up forecasts over a longer-term period, so the Group has prepared a further forecast year using a top-down financial model based on the Group's historic track record and long-term strategic forecasts. Although our strategic land promotion business commenced 2021 with 15,071 plots with planning permission which, at a five-year average disposal rate of 2,556 plots would imply that we have almost six years of sales already in hand and a property development pipeline of over £1.1bn Gross Development Value (GDV) to be delivered over a period extending beyond five years, it becomes difficult to accurately forecast the timing of transactions beyond year three.

We have stress tested our financial results based on the downside scenario modelled to December 2022, as described in the Going Concern statement on page 53 followed by an assumed return to planned levels of activity for year three. Our modelling assumes that deferred land sale debtors falling due in 2021 of £48.3m as at 26 February 2021 will continue to be received during the period either directly from the debtors themselves or via the use of debt purchase facilities or promissory notes which management consider to be viable alternatives facilitated by UK banks. These models highlight that as economic conditions worsen and construction activity, developments and land sales do not happen as envisaged, deferred land sale receipts, reduced investment and tight cost control sees the Group retain cash in the short to medium term, although long-term profitability would be significantly lower if the aforementioned mitigating actions were required to preserve cash.

Assessment of viability

The long-term strategy: the annual budget and the forecast year reflect the Directors' best estimates of the prospects for the business and the Directors consider a three-year period to be appropriate over which to assess the viability of the Group. In addition to the downside modelled, we have also reviewed several potential viability risks to the Group and consider that the following represent scenarios which, if not carefully managed, could impact on the Group's viability, in addition to the CV-19 pandemic risk discussed in the Going Concern statement on page 53.

Firstly, a health and safety-related breach that causes a fatality (or similar serious outcome). We manage this risk through a very robust health and safety policy, zero tolerance towards policy breaches and treat health and safety as the first matter for discussion on our Company board meeting agendas. Our safety scores continue to be well into the top quartile of the UK construction industry and we have achieved a very safe working environment over the last 20 years. Secondly, overtrading developments in progress with the attendant increase in leverage, at the same time as the property cycle turns down, asset values are falling, and schemes must be completed to create best value. This creates a potentially damaging scenario where debt is rising, and asset values are falling. Mindful of this scenario, we look to maintain prudent debt levels (even at maximum facility utilisation of £75m) and we have pre-sold or forward-funded more than 80% of the current development work in progress for 2021.

The Directors have also considered the potential impact of the UK EU future trading relationship and whilst a trade deal is now in place they accept that the current economic uncertainty surrounding this creates a UK-wide market risk, they do not believe that this would lead to an extended downturn long enough to cause the Group any issue with viability.

Viability statement

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

1. Net cash is an APM (alternative performance measure) and is reconciled to statutory measures in note 33 to the financial statements.

Our Responsible Business

135 HENRY BOOT

The First Phase of our Responsible Business Strategy

As we celebrate our 135th anniversary in 2021, our business is taking the opportunity to look to the future and to our continuing commitment to support our people, partners, places, and planet.

We take our responsibility seriously. From the building of Boot's Folly in 1927 to provide work for local people at risk of unemployment, to our significant efforts in recent years to create long-term and meaningful social value for the communities and environments in which we work, we have always been proud to demonstrate our commitment to support the people we work with.

We recognise, however, that the needs of our communities and environments are changing, and the time to step up our efforts and collective responsibility is now. In our 135th year, we are excited to respond to these challenges with strategic focus and renewed commitment.

In 2017, our business undertook the One Henry Boot Project to realise and define our workplace culture (the Henry Boot Way) and our Purpose, Vision and Values. 135 Henry Boot is the next chapter in the future of our responsible business story and is the first phase of our new Responsible Business Strategy.

Read more about the **Non-Financial Information Statement** on page 132

135 Henry Boot will guide us as we launch and strategically align three exciting long-term initiatives in 2021:

- Our Community Partnership Plan (launching in March 2021);
- Our new Equality, Diversity and Inclusion Strategy (launching in April 2021); and
- Our Pathway to Net Zero Carbon (launching in June 2021).

Our Community Partnership Plan will find us collaborating with and supporting our charity, educational, and community partners to create meaningful and lasting impact on their amazing work. In doing so, we will be engaging our people and partners to get involved and utilise their skills, knowledge and experience to make a huge difference for our communities.

Our new Equality, Diversity and Inclusion Strategy will find us engaging our people and partners to ensure that our business (and the wider built environment sector) is truly representative and that we offer all our current and prospective people an authentically inclusive, accessible, and forward-thinking workplace. It will support us to engage with those who are under-represented and collaborate with partners to identify and tackle the barriers to achieving a rewarding career in our industry.

Our Pathway to Net Zero Carbon will find us building on our impressive track record of incorporating environmental protection into our commercial operation and will be an ambitious and engaging plan to guide us to produce net zero carbon. It will also support us to enhance our long standing efforts to reduce waste, protect biodiversity, and continually improve our performance on working to circular economy principles. We will set ourselves ambitious targets and report on our progress against them annually. We will empower our people and partners to share knowledge and collaborate to reach solutions to the issues and problems posed by climate change and environmental degradation.

Each of these three initiatives will have independent objectives and as we deliver 135 Henry Boot we will be guided by five overarching objectives:

- To launch our Pathway to Net Zero Carbon and build awareness of the importance of sustainable business practices and the circular economy.
- To take action to ensure our business is equal, diverse, inclusive, and accessible.
- To work with key partners across the built environment sector to create positive direction and thought on diversity within our industry.
- To collaborate with our communities to understand and respond to their challenges and requirements.
- To create long lasting social value and contribute to a fair and just society.

Our Responsible Business

135 Henry Boot will guide us as we build on our strong foundations of responsibility and create excitement and engagement with all of our stakeholders to address and respond to crucial issues faced by our communities and environments.

Taking a two-phase approach to the delivery of our Responsible Business Strategy will enable our business to be agile as we react to pressing societal issues whilst also maintaining a long-term strategic approach and ambition is shaped by consultation and engagement with our people and partners. We believe 135 Henry Boot will strongly position us to develop and launch the second phase of our Responsible Business Strategy in January 2022.

The second phase of the Strategy will be influenced and shaped by further consultation and engagement with our people and partners. It will focus on the issues we collectively agree to be the most material, and our vision and activity will incorporate the United Nations Sustainable Development Goals that we determine are those we can most positively impact. It will also incorporate all of our existing responsible business initiatives and guide us to achieve our targets and create long-term social value and impact.

The development and delivery of our Responsible Business Strategy will be overseen and guided by our new Board Responsible Business Committee. This Committee will ensure that our Group's approach to Environmental, Social and Governance (ESG) activity and ambition is clearly incorporated within and complements our wider Group strategy. It will demonstrate to all our partners that our commitment to being a responsible business is led from the top and that we will hold ourselves accountable to achieving and demonstrating progress against our ambitions, targets and objectives. Leadership from the Board on our Responsible Business Strategy will also ensure that key financial and non-financial risks and opportunities linked with ESG receive careful consideration and review. This will include interaction, where necessary, with the Audit and Risk Committee for the review and monitoring of any risks relating to ESG issues that require input from our auditors or particular consideration in relation to risk identification and management.

Our leadership commitment to responsible business is further demonstrated by our CEO and Group Finance Director's personal objectives being linked to the delivery of our Responsible Business Strategy. In 2022 and beyond, we will also be looking to set further Group-wide KPIs and link these, where appropriate, to remuneration outcomes in other ways.

OUR PEOPLE

Our approach

Our people are our greatest asset and are vital to our long-term strategic success and sustainability. Engaging with and developing our people is crucial to our continued performance and growth.

We collaborate with all our people to enable them to achieve their best. We work to continually develop and maintain a culture of inclusivity that enables us to attract and retain the right colleagues to work at every level, who are committed to working as part of our team, and who support and represent our Values. We have also been delighted to maintain our Investors in People accreditation this year.

We remain committed to investing the time and resources to support, engage and motivate our people to feel valued, to be able to develop rewarding careers, and want to stay with us. We recruit and promote from within wherever possible to provide the best possible progression opportunities. As our businesses continue to develop and grow, we understand that by retaining and inspiring effective and committed people, we can continue to deliver excellence to all.

Support throughout the CV-19 Pandemic

The CV-19 pandemic has posed many challenges for us all, and we have worked hard to ensure our colleagues have consistently been kept up to date with our response to the changing circumstances. This has included regular communications and interactive webinars to provide updates on health and safety protocols, the protection measures in place at all our sites, depots and offices, business performance and financial position, and positive news stories. We have also included regular resources and guidance on maintaining good physical and mental health and wellbeing to provide support through each stage of the pandemic.

Health and Wellbeing

There continues to be significant societal awareness of the challenges around maintaining good physical and mental health (which are likely to be exacerbated by the CV-19 pandemic) and we have an important role to play in promoting positive physical and mental wellbeing for our people.

We continue to utilise our SMILE platform, which is a wellbeing platform accessible by all our employees, focusing on three strands: health, wealth, and lifestyle. SMILE brings together all our benefits and wellbeing provisions into one accessible location so that our employees can access information and support at any time.

Although we opted not to take part in Britain's Healthiest Workplace in 2020, in order to allow some of our people to focus on adapting to the alternative ways of working (including working from home) and responding to the pandemic, we will be looking to take part in this important initiative once again in 2021 and reviewing how we can build on our previously successful score and continuously strive to improve our performance.

We will continue to develop and deliver resources focused on physical and mental health and wellbeing and will respond to the changing circumstances and issues faced by our people and wider society.

Employee engagement

Employee engagement refers to the amount of energy, dedication and focus people bring to their work. It is currently regarded as one of the key 'people' factors that differentiate higher and lower levels of organisational performance.

Our annual Employee Engagement survey continues to build on the Values we developed as part of the Henry Boot Way, and this year we had a response rate of 66% (59% in 2019) with an employee Net Promoter Score (eNPS) of 46 (40 in 2019), which demonstrates positive engagement with our employees and is deemed to be outstanding.

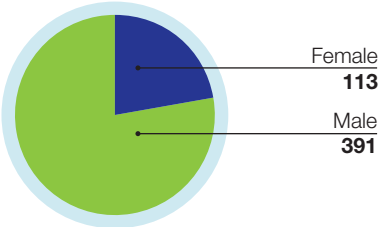
Engagement is an output of a vast number of inputs, some tangible, others intangible, and the engagement any person feels can vary compared with others as we are all individuals and what we value differs. We constantly strive to build on our solid foundation of engagement but recognise there are areas where we can make improvements. We will continue to collaborate closely with our Employee Forums to address areas of strength and weakness to secure even greater levels of engagement when we run the survey again in the autumn of 2021.

In addition to our Employee Engagement Survey, we also engaged our people with our Agile Working Survey. This important consultation intended to capture the views and experiences of our people as they worked throughout the pandemic and will shape our forthcoming Agile Working Policy which is due to be published in 2021. This Policy will inform and guide our people to make choices about their method and pattern of work to suit their individual needs wherever possible, and explore how agile working could be utilised for their role.

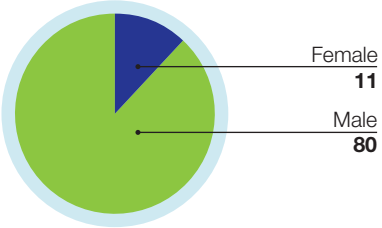
In relation to employee engagement more widely and the role of the Board in this, please also see our Employee Engagement section on page 86.

Gender diversity

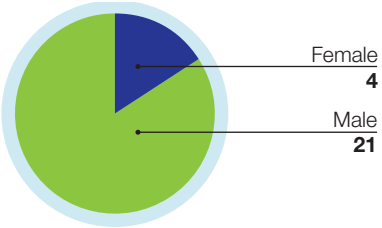
All employees



Senior managers



Directors



Our Responsible Business

EMPLOYMENT ENGAGEMENT SURVEY

Creating a culture and environment where our people can be the best version of themselves at work.

Our objectives

The overall objective of conducting these surveys is to gain an in-depth understanding of our employees' experience whilst working at Henry Boot.

The report is focused on gaining feedback from employees so we can create a culture and an environment where our people can be the best version of themselves at work. The survey also captures our employees' thoughts about our response to CV-19 and the current challenges that our people are facing due to the pandemic. This insight will feed into our 'roadmap' of recovery. The survey and our findings focuses on the Group as a whole and whilst we can look at the subsidiaries as separate entities, which will be beneficial for business specific feedback, we have opted to look at the scoring holistically as a Group to push for more collaboration, a collective responsibility and a joined-up approach to culture and engagement.

Our process

Facilitated by HIVE (our employee engagement partner's), our annual Employee Engagement Survey housed a framework of 32 questions that were used to measure progress when compared with the responses within our first survey conducted during 2019. Some questions were based on those posed in 2019 to allow for statistical analysis of change; however, other questions were more focused on 2020 and specifically the pandemic.

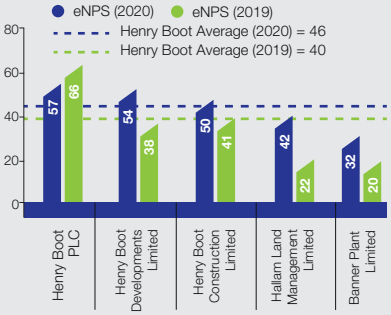
66%

Response rate, increase of 7% since last year

Our findings

The survey results show that, despite the challenges posed by the pandemic and the necessary adaption of approaches to work, our people have remained resilient, optimistic and focused on working as a team to maintain delivering an exceptionally high standard for our clients and partners.

The survey results and feedback are being carefully reviewed by our Board and Executive Committee to identify any areas where there is scope for increased engagement with, and support for, our people.



Outstanding Group eNPS score of

46

6 point increase since 2019

8.9

We received an 8.9 employee engagement score when our people were asked if they had a good relationship with the other people in my team

8.6

We received an 8.6 employee engagement score when our people were asked whether their personal values are well suited to the Henry Boot Way and whether they felt proud to work for Henry Boot. The same score was achieved when our people were asked if the Group has adapted well to the challenges of CV-19

Key outcomes

1 RECOGNITION AND PROGRESSION

We received an average employee engagement score of 7.3 when our people were asked if they felt valued for their contribution.

We will continue to strive to ensure that all our people are aware of and can access the guidance and support they need to progress in their career and feel positively rewarded and recognised for their contribution to our performance.

2 EMPLOYEE WELLBEING

Whilst we are pleased that our average employee engagement score for positive mental wellbeing was 7.3, we do recognise the significant ongoing challenges that the pandemic has created for our people.

We will continue to review and introduce positive mental wellbeing initiatives for our people to promote and support their health and wellbeing.

As part of the Employee Engagement Survey, we introduced a new platform – High Five – whereby our people could acknowledge and thank each other for individual contributions and effort.

This platform has been widely adopted and has demonstrated the real sense of teamwork that underpins our workplace culture, the Henry Boot Way.

Financial Wellbeing

We are committed to ensuring that our people are well rewarded for their hard work and have access to resources to support their financial wellbeing.

We committed to review our employee packages in 2020 as part of a wider remuneration and reward review to ensure that these are effective for our people and that we remain competitive. This has been pushed back into 2021, to allow us to assess and review the various aspects of this important subject with our chosen external partner and Employee Forums in a more structured way.

We operate two pension schemes. Employees are members of The Henry Boot Staff Pension and Life Assurance Scheme (defined benefit pension closed to new members in 2004 and subject to a salary cap from 2012) and/or the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution pension). Employees who are members of The Henry Boot Staff Pension and Life Assurance Scheme have the opportunity to join the Henry Boot PLC Group Stakeholder Pension Plan, investing their residual salary, i.e. the difference between their actual salary and their capped pensionable salary, for The Henry Boot Staff Pension and Life Assurance Scheme. We have implemented the UK's auto-enrolment pension requirements and our employees are informed of auto-enrolment and other pension choices through letters and online via the Group Intranet.

Company-funded Independent Financial Advice is available for those reaching 55 years of age; the age at which they can legally take their pension. We want to ensure that our employees are in a fully informed position when making decisions about ongoing employment towards the end of their careers.

In September 2020 we invited all eligible employees to participate in the Company Share Option Plan (CSOP); 99.5% of those who were eligible accepted this grant. We also invited all eligible employees to participate in the Group's 2020 Sharesave scheme, which allows employees to contribute a maximum of £500 per month to one or a combination of current Sharesave schemes; at the year-end 62.9% of eligible employees had joined a Sharesave scheme.

Diversity and Inclusion

We aim to create a fair, accessible, diverse, and inclusive working environment, while recognising the challenges that our sector has traditionally suffered, particularly in relation to gender and ethnicity representation and diversity. We want to provide a sustainable culture in which all our people can be themselves at work so that they can thrive, add value, and feel valued. We believe that this will bring out the best in our people and lead to long-term success and sustainability.

In 2020, in response to research we commissioned from a specialist consultancy to give us insight into how we can best make our business fit for the future with a focus on diversity and inclusion, we established a cross-Group Diversity and Inclusion Steering Group. This Steering Group is comprised of employees from across our subsidiary businesses, regions of operation, and levels of seniority, and is sponsored by the CEO and chaired by the Head of HR. The Steering Group's mission is to support our business to develop and deliver our new Equality, Diversity and Inclusion Strategy which will be published in April 2021.

Our Equality, Diversity and Inclusion Strategy will focus on five key areas:

1. Inclusive culture (including leadership)
2. Increasing our diversity
3. Education and awareness
4. Success, progression, and development
5. Engagement approach with our communities and stakeholders

We believe this will strongly position us to create a truly fair, accessible, representative, and inclusive workplace culture, add value to our business, and contribute positively to the health and wellbeing of our people.

Although we recognise that the ambitions and objectives in our Equality, Diversity and Inclusion Strategy will take time to achieve, we are fully committed to working with key partners to engage with under-represented groups through various networks. We aim to encourage diversity of thought and approach amongst our people, and to open opportunities for under-represented groups to experience our industry. We continue to forge links with local groups and educational establishments to encourage diversity and to change perceptions and influence others to view our industry as a positive career choice. Examples of the networks we are members of and actively support are Building Equality, Women in Property, the Considerate Constructor's Scheme and Business in the Community (BITC).

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

The Board Diversity Policy is set out in more detail as part of our Nomination Committee report on page 94. Our gender pay gap is currently 28.44%, which continues to reflect the current ratio of men and women employed at just over 3:1 rather than an issue relating to how we pay our people. We are not obligated by statute to report our gender pay gap as we do not meet the required reporting thresholds; however, we will continue to report voluntarily and will explore the possibility to report on our ethnicity pay gap in the future.

We have a disproportionate number of women in all roles and, therefore, our data is skewed; we recognise that without a representative increase in the number of women we employ, our gender pay gap will be difficult to reduce. The Equality, Diversity and Inclusion Strategy will guide us to ensure our recruitment and attraction processes attract a diverse talent pool and ensure our workforce reflects the diversity of the communities in which we live and work, by increasing opportunities and reducing barriers to under-represented groups.

We hope that both our Equality, Diversity and Inclusion Strategy and Agile Working Policy will successfully contribute to decreasing our gender split over time and have a positive impact on our gender pay gap.

Our Responsible Business

Learning and Development

Delivering a workplace culture and positive career experience that attracts new and diverse talent and retains experienced employees will give us the ability to compete successfully and ensure long-term sustainability.

Our directly employed people headcount was 504 at the end of 2020. The Group has a relatively low level of employee turnover (the retention and development of our internal talent remains critical to our success), which remains around the average for the UK at 14%. Our high retention rates ensure that we have a solid base on which our people can grow, develop and achieve their potential.

We recruited a further three apprentices in 2020, which brings our total number of current apprentices to 23 with a further 15 trainees. All our trainees and apprentices are enrolled on formal courses of education and have development plans in place to gain operational and technical knowledge from mentors.

Our preferred succession planning method is one of in-house development and growth; consequently, we also have a number of experienced employees enrolled on formalised education programmes to enhance their skills and knowledge, in anticipation of career development and promotion. Throughout 2020, eight of our employees completed their education programmes and a further five progressed onto the next level of their education programme. We have key pathways in place for our apprentices and trainees to ensure our talent pipeline continues to flourish.

Throughout 2020, our senior leaders who have participated in our Senior Leadership Development Programme (SLDP) have continued to develop their own skills and knowledge and have, despite the limitations of the pandemic, been able to continue with coaching and mentoring activities. In early 2020, we held our first Leadership Development Programme (LDP) which was attended by eight of our middle managers and rising stars; this was successfully delivered and our original plan was to run this several times during 2020. However, this was not possible. We remain firmly and fully committed to ongoing development and investment in our internal talent pool, and with the help of our external partners we have pivoted our LDP to be an online virtual offering which we will be piloting in 2021.

We delivered 1,420 learning and development days; in addition to this, and in recognition of the diverse range of skills within our workforce, there was also an unquantifiable amount of ad hoc learning and development, which takes place on a daily basis at our sites, offices and depots, 317 of our people undertook a form of health and safety training in 2020 (included in the overall number of learning and development days provided above), and via remote engagement during the pandemic.

The coming year will see a renewed learning and development provision being rolled out across all subsidiaries, which includes a focus on developmental outputs from SLDP, building capacity and capability at all levels, provision of mentoring and other interventions, which will seek to build resilience amongst our people.

Health and Safety

One of our most important responsibilities as a business is making sure that the health, safety and wellbeing of our employees, partners and the wider public is safeguarded, together with protecting the environment in all our areas of operations.

Our team are enthusiastic experts in this area and work hard in collaboration with our project teams and supply chain to drive innovation and achieve best practice.

Our performance

Our Accident Incidence Rate (AIR) and Accident Frequency Rate (AFR) and performance in our Construction segment remains strong, and our construction related AFR and AIR for our directly employed staff and operatives is 0.

We are delighted to report a strong overall (including subcontractors) AIR of 209 per 100,000 workers, and AFR of 0.10 per 100,000 hours worked. This result is a combination of the effectiveness of our management processes, continuous improvement, and our Zero Harm initiative. Whilst the KPI data published by Constructing Excellence has now concluded, we have continued to benchmark our Health and Safety performance using existing data. This shows a KPI performance of 98%.

In 2020, our Construction segment maintained approval to the OHSAS 18001, ISO 14001 and ISO 9001 standards, which is reviewed and audited by Lloyd's Register Limited. This is supported by other Company accreditations, including the Rail Industry Supplier Qualification Scheme.

We also continue to be a Considerate Constructors Scheme Partner, registering the Barnsley Glassworks project as an 'Ultra Site' and the Barnsley Library @ The Lightbox Project won a Gold Award in 2020 commended for our respect for the wider community, environmental protection and championing the value of our workforce. Our strong health and safety management culture has resulted in securing a prestigious RoSPA Gold Medal Award for the 11th consecutive year resulting in a RoSPA Presidents Award. This is alongside further industry awards including the Constructing Excellence Health, Safety and Wellbeing Award, Considerate Constructors Scheme Gold Award, LABC Award for Library @ the Lightbox (best public service building) and Generation for Change (G4C) Award.

Our Supply Chain

Our partnership with our supply chain partners is critical to our success and we work hard to engage and collaborate with all of our suppliers and partners to create and maintain long-term successful relationships. We have a commitment to securing the services of predominantly local subcontractors and utilising local suppliers to minimise the miles and emissions that working with us produces, which continues to be a strong and responsible approach for our business. This has only been strengthened due to the impact of CV-19 on supply chains, and the increasing value placed on creating opportunities for local communities.

Human Rights

Our business is totally committed to supporting and working to the UN's Guiding Principles on Business and Human Rights. Protecting, preserving and respecting human rights is fully embedded in our culture and is fundamental to our Values. This commitment is reflected in and demonstrated by our routinely updated policies including:

- Anti-corruption
- Modern Slavery
- Rights to Work
- Whistleblowing

In addition to our policies, we aim to demonstrate this commitment through all our behaviour and actions towards our people, suppliers, partners and the communities in which we operate.

Modern Slavery

We recognise that our industry is vulnerable to the impacts of modern slavery and therefore we have implemented and embedded a number of measures, which seek to bring about greater transparency and scrutiny into our various supply chains in order to combat slavery and trafficking activities.

We keep our Human Trafficking and Slavery Statement (the 'Statement') under regular review and set out the activities we undertake to reduce the risk of slavery and trafficking activities being present within our business operations. These measures include enforcing our Modern Slavery Policy, due diligence requirements, and mandatory contract clauses seeking compliance by our supply chain with appropriate anti-slavery measures. Following completion of a Modern Slavery Assessment Tool (MSAT), we have signed up to the GLAA (Gangmasters & Labour Abuse Authority) Construction Protocol. In addition, we have been focused recently on working with Non-Governmental Organisation (NGOs) and other supply chain bodies to understand where our practices may be strengthened and are looking forward to implementing some new measures throughout 2021.

We commit to collaborating closely with our people, partners, contractors and suppliers to monitor our performance, share knowledge and maintain vigilance throughout our business and supply chains.

Anti-Bribery and Anti-Corruption

Delivering our services with a zero-tolerance approach to corruption in any form is essential for us to demonstrate our Values, long standing commitment to ethical behaviour and integrity, and to uphold our reputation and image. Our Anti-Bribery and Corruption Policy sets out the standards expected of all Group employees and supply chain members 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 and supply chain complies.

Our Responsible Business

OUR PLACES

Our Approach

The Group's success depends on the communities in which we operate, live and work continuing to thrive and develop. We recognise that the needs of our communities and environments are changing and the time to step up our efforts and collective responsibility to support them is now. In our 135th year, we are excited to engage our people and partners to respond to societal needs with strategic focus and renewed commitment.

Our Community Partnership Plan is a core element of 135 Henry Boot and will find us collaborating with and supporting our charity, educational, and community partners to create meaningful and lasting impact on their amazing work. In doing so, we will be engaging our staff to get involved and utilise their skills, knowledge and experience to make a huge difference for our communities.

Our Response to CV-19

We recognise the significant and long-term impact that CV-19 has had on our communities and the range of issues that it has caused for many, but particularly the most vulnerable in our societies. Throughout 2020, we decided to focus our efforts and resources on supporting the response of our charitable and community partners to the pandemic and we engaged and collaborated with them to ensure our support would have the best possible impact on their work.

Charity Partners

This year we continued to support a range of charity partners across our areas of operation and offered our support through financial donations, donations of time, and donations of materials and our professional expertise. We have a Charities Committee who meet on a fortnightly basis to assess direct requests to the business for support, assessing each request to establish whether it aligns with our Charitable Giving Pillars and the impact our support may have to ensure our donations and engagement have the best possible outcomes and impact.

We support an annual Charity of the Year that is selected by our employees and we aim to host a variety of activities during the year to raise money to support them. In 2020 our Charity of the Year was Sheffield Children's Hospital which provides services across a significant geographic area in the north of the UK. This fantastic charity aims to ensure that the services and support offered by the hospital to young people and their families is of the best possible quality. They fund research, cutting-edge medical equipment, improvements to the hospital facilities, and bespoke provision for their patients and loved ones. They are currently fundraising to complete a brand-new Cancer and Leukaemia Ward. Given their coverage of many of the regions in which we operate, and their ambitions to support young people to give them the best possible quality healthcare and compassionate support, we were delighted to partner with an organisation with shared values and ambition.

As has been the case for many corporate charity partnerships, many of our planned events and activities had to be postponed or cancelled due to the impact of CV-19. We have therefore decided to extend our partnership with the Sheffield Children's Hospital until the end of 2021 and additionally chose to sponsor their annual Snowflake Campaign in December 2020. We are excited to raise as much as possible for this important cause throughout 2021.

In addition to our Charity of the Year, we have supported a range of national and local charity partnerships and our support included:

- Becoming a Foundation Partner of Landaid (a national property industry charity focusing on supporting young people affected by homelessness) and collaborating with them to fund the development of a new site for the Sheffield based youth homelessness charity Roundabout.
- Donating to the National Emergencies Trust CV-19 campaign with our donation being matched by the Big Give.
- Delivering the '*Henry Boot 13 Gifts of Christmas*' campaign which saw us supporting 13 food banks across our sites of operation nationwide.
- Headline sponsoring the annual St Luke's Hospice Festival of Light campaign and event for the third time.

All our people are offered an annual volunteering day and, whilst it has been difficult for many to utilise this in 2020 with opportunities being greatly limited and our people's health and safety being paramount, we will be promoting opportunities throughout 2021 as part of our Community Partnership Plan.

Despite the challenges, our people did undertake some highly valued volunteering in 2020 and we supported them to assist local communities affected by the pandemic, with employees using their time to deliver prescriptions, read remotely to schoolchildren and support the vaccination programme.

In November 2020, we consulted with a sample group of our people by running a Community Engagement Survey which included requesting their feedback and opinions on the Group's support for charities and communities. Based upon their responses, we have re-framed our Charitable Giving Pillars to:

- Charities and organisations that support health, medical, and educational improvements for children and adults;
- Charities and organisations that support those who are homeless or rootless; and
- Charities and organisations that support improvements for the environment and are tackling the effects of climate change.

We also gave our people the opportunity to nominate a grassroots sports team for a donation via our Discretionary Sports Fund. We recognise the importance of grassroots sports for communities and for mental and physical wellbeing but are also aware of the lack of funding that organisations often endure. Many of our people are directly or indirectly involved in grassroots sport and we were delighted to distribute a total of £5,000 to 20 employee nominated local sports teams throughout 2020.

Pictured: The Group has continued its partnership with The Children's Hospital Charity, and selected them as Charity of the Year for 2021. The level of support we were able to offer in 2020 was reduced due to the pandemic, and plans are being put in place to resume events and activity over the coming months.

The Group also maintains several investment funds with South Yorkshire Community Foundation (SYCF). We collaborate closely with the SYCF (and are a member of their SY100 Supporter Scheme) to ensure our funds are used to support grassroots charities and community organisations whose purpose aligns with our Charitable Giving Pillars. We can also use our funds in order to collaborate with other SYCF supporters to provide grants to applicants assessed for eligibility by SYCF.

We are a founding member of Sheffield Business Together (SBT) and continue to offer our financial and people resources to support the work of this responsible business coalition. SBT's total leverage value of completed projects in support of charity, community, and voluntary organisations in 2020 was a fantastic £86,644.00.

This year, we contributed £98,160.00 (£110,287.68 in 2019) to charitable causes. This figure is slightly lower than that achieved in 2019 due to the significant impact on our ability to fundraise for our Charity of the Year through fundraising events and employee fundraising. Our commitment to donate to charitable causes continues to strengthen and we look forward to supporting our charity partners in the future and collaborating with them to ensure our donations have the best possible impact on their work.

£21,463.00 of the total funds donated in 2020 were through our employees utilising our match funded Give as You Earn payroll giving mechanism.

"Henry Boot took part in a great opportunity to inspire our key worker students who are studying in the classroom. One of my students has since told me that they now want to work for Henry Boot as a Paralegal!"

National Literacy Trust Partner Primary School

Education Partners

We recognise that young people are the future of our business. Collaborating with our partners in the education sector to showcase our business and sector and give young people valuable and authentic workplace engagement is paramount for their and our long-term success; if they can see it, they can be it.

We also recognise the disproportionate impact that the CV-19 pandemic has had on young people and the challenges that they have faced from school closures and social distancing. We have been proud to maintain our support for the career education programmes of our education partners. We have committed to ensuring these partners have our long-term support to provide young people with valuable and interactive workplace experience, engagement, and education as we build back from the impacts of the pandemic.

We have adapted our engagement opportunities and collaborated with a range of educational partners and charities across our areas of operation and examples include:

- Being a Cornerstone Employer for the D2N2 Enterprise Partnership – supporting a range of education providers across North Derbyshire.
- Empowering several of our employees to become Enterprise Advisors within the Sheffield City Region and working with local schools to provide them with valuable guidance and support.
- Volunteering with the National Literacy Trust for digital reading sessions and the Words for Work Conference.
- Supporting St Luke's Hospice Biz Kids Programme, which aims to encourage enterprise and business skills for primary school children whilst fundraising for the vital services of St Luke's Hospice.
- Hosting a digital Takeover Day for our landmark development 'The Glassworks' in Barnsley.
- Supporting a range of schools with remote learning opportunities and digital engagement.

Our Responsible Business

OUR PLANET

Our Approach

We recognise the increasing risk and damage that climate change and environmental damage poses. Our commitment to protecting the environments we operate in has long been inherent in the way we work, however we acknowledge that all businesses must step up their ambition and act now to protect and preserve the environment and our planet for future generations.

In June 2021 we will be unveiling our Pathway to Net Zero Carbon. This ambitious plan will look to build on our long standing environmental protection measures and will further address our direct and indirect environmental impacts. Importantly it will guide us as we strive to produce net zero carbon and support us to be ambitious and progressive as we reduce our emissions, protect our environments and biodiversity, and engage all our people and partners to create a better planet for us all.

We will also work with our charity and education partners to educate, engage, support and learn from them as we assist with their efforts in addressing the impacts of climate change. This year we have established a Henry Boot Environment Fund as part of our charitable giving programme which will provide grants to our charity, community and education partners to support their efforts to address climate change.

Our Performance

The tables below demonstrate the reduction in our CO_2 footprint and carbon emissions throughout 2020. Whilst we recognise that this significant reduction is in part due to the restrictions associated with the CV-19 pandemic, we will strive to continue to reduce our emissions and carbon footprint and report on our annual progress against our targets as we deliver our Pathway to Net Zero Carbon.

In 2020 we established a Net Zero Carbon Taskforce. This group of employees is drawn from across our subsidiaries and represents the regions we operate in and different levels of seniority in the business. The Taskforce, which is sponsored by two members of our Senior Executive team, has responsibility to develop and deliver our Pathway to Net Zero Carbon and to ensure all our people are engaged, informed, and empowered to contribute to our efforts.

Our Pathway to Net Zero Carbon is being prepared with support from specialist environmental consultancy Anthesis. Anthesis are specialists in corporate sustainability strategies and their support will ensure our Pathway is ambitious, strategic, and measurable. They are supporting the development of our Pathway to ensure we make the best possible impact in tackling climate change, engage our partners, and adapt our commercial operations to protect our planet. We are keen to demonstrate our intent to build on our existing efforts and act now to preserve the environments we work in and alongside, and we believe the support of Anthesis will ensure our Pathway has great impact and the support of all our stakeholders.

We also recognise that the risk of climate change is one that faces all businesses and that solutions to the many challenges it poses requires collaboration and teamwork. We have recently joined and routinely contribute to the Yorkshire Climate Action Coalition (a coalition of like-minded businesses who are ambitiously focused on addressing their environmental impact) and regularly collaborate with membership organisations (including the CBI and BITC) on this issue.

We are also proud to work to circular economy principles wherever possible and ensure that we limit waste, reuse materials, and recycle as much as we can. We are proud to be signatories of BITC's 'Waste to Wealth' pledge and initiatives to deliver a resource-efficient, low carbon built environment which supports the Government's Construction 2025 Strategy. Our Construction business continues to maintain approval and work to the ISO 14001 Environmental Management System.

Henry Boot Group CO_2 footprint by source

Henry Boot Group CO_2e emissions	2020 Tonnes	2019 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities	1,918	2,443	Fall
Scope 2: Electricity, heat, steam and cooling purchased for own use	644	870	Fall
Total direct emissions	2,562	3,313	Fall
Total direct emissions per employee[1]	4.7 tonnes CO_2e	5.8 tonnes CO_2e	Fall
Scope 3: Upstream and downstream indirect emissions	796	1,091	Fall
Total emissions	3,357	4,404	Fall
Total emissions per employee[1]	6.2 tonnes CO_2e	8.1 tonnes CO_2e	Fall

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

Total energy consumed was 11.6 MWh's (10.8 MWh's scopes 1 and 2).

Carbon emissions by segment

Henry Boot Group CO_2e emissions	2020 tonnes of CO_2	2020 intensity ratio tonnes of CO_2e	2019 tonnes of CO_2	2019 intensity ratio tonnes of CO_2e	Intensity basis	Trend
Property investment and development	552	14.22	1,120	2.46	per 1,000 sq ft of investment property with communal areas	Fall
Land development	45	1.44	57	1.73	per employee	Fall
Construction	2,649	22.84	3,085	27.01	per £1m of turnover	Fall
Group overheads	111	1.64	142	2.14	per employee	Fall
Total gross controlled emissions	3,357		4,404			

Our carbon emissions for the year ended 31 December 2020 were calculated in accordance with the March 2019 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' and the EMA methodology for SECR Reporting (2019: GHG Protocol Corporate Accounting and Reporting Standard (2011 edition) and emission factors from UK Government GHG Conversion Factors for Company Reporting 2018). Our direct and indirect operational carbon emissions are shown in the tables above. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our financial statements. **Overall the Group's carbon emissions have decreased by 23.8% when compared with those of the previous year; this equates to a reduction of 1.9 tonnes per employee.**

For further information on our **Carbon emissions** please see our website

Climate Related Financial Disclosure

Our business is aware, and in support of, the Task Force for Climate Related Financial Disclosure's (TCFD) recommendations for the reporting of climate related financial information. It is a priority for us to share relevant, consistent, and useful information with our shareholders and partners and we are carefully assessing the risks and opportunities that climate change could create for our business.

We will begin reporting against the recommendations of the TCFD in 2022 and will be preparing for this throughout 2021. In doing so, we will be taking the following steps:

- Being led by our Responsible Business Committee – This new Committee will assume executive oversight of the Group's environmental sustainability performance and ensure that our forthcoming Pathway to Net Zero Carbon and the actions we take to enhance our environmental stewardship are ambitious, strategic, incorporate the views and contributions of our people and partners, and that progress is regularly communicated with our stakeholders.
- Establishing a TCFD Steering Group – This Steering Group will be comprised of representatives from core functions across our Group and will support the Responsible Business Committee (whom it will report to) to oversee the preparation for reporting against the TCFD recommendations to ensure our approach is comprehensive and consistent across the Group. The Responsible Business Committee and TCFD Steering Group will collaborate to assess the risks and opportunities that climate change pose to our business (considering the variation in risks and opportunities in different climate change scenarios).
- Publishing our Pathway to Net Zero Carbon which will guide us as we reduce our emissions (using our 2019 emissions as our baseline) and build on our existing performance to take actions to protect and preserve our planet. We will be carefully assessing our impact and will routinely publish our progress against our targets to reduce our emissions, protect biodiversity and limit waste and resource use.

Please see below for more details on the actions we will be taking to report in alignment with the four focus areas of the TCFD recommendations.

Governance

- Responsibility for our TCFD reporting will be overseen by the Responsible Business Committee.
- Supporting and reporting to the Committee will be a cross-Group TCFD Steering Group comprised of representatives from core business functions.

Risk Management

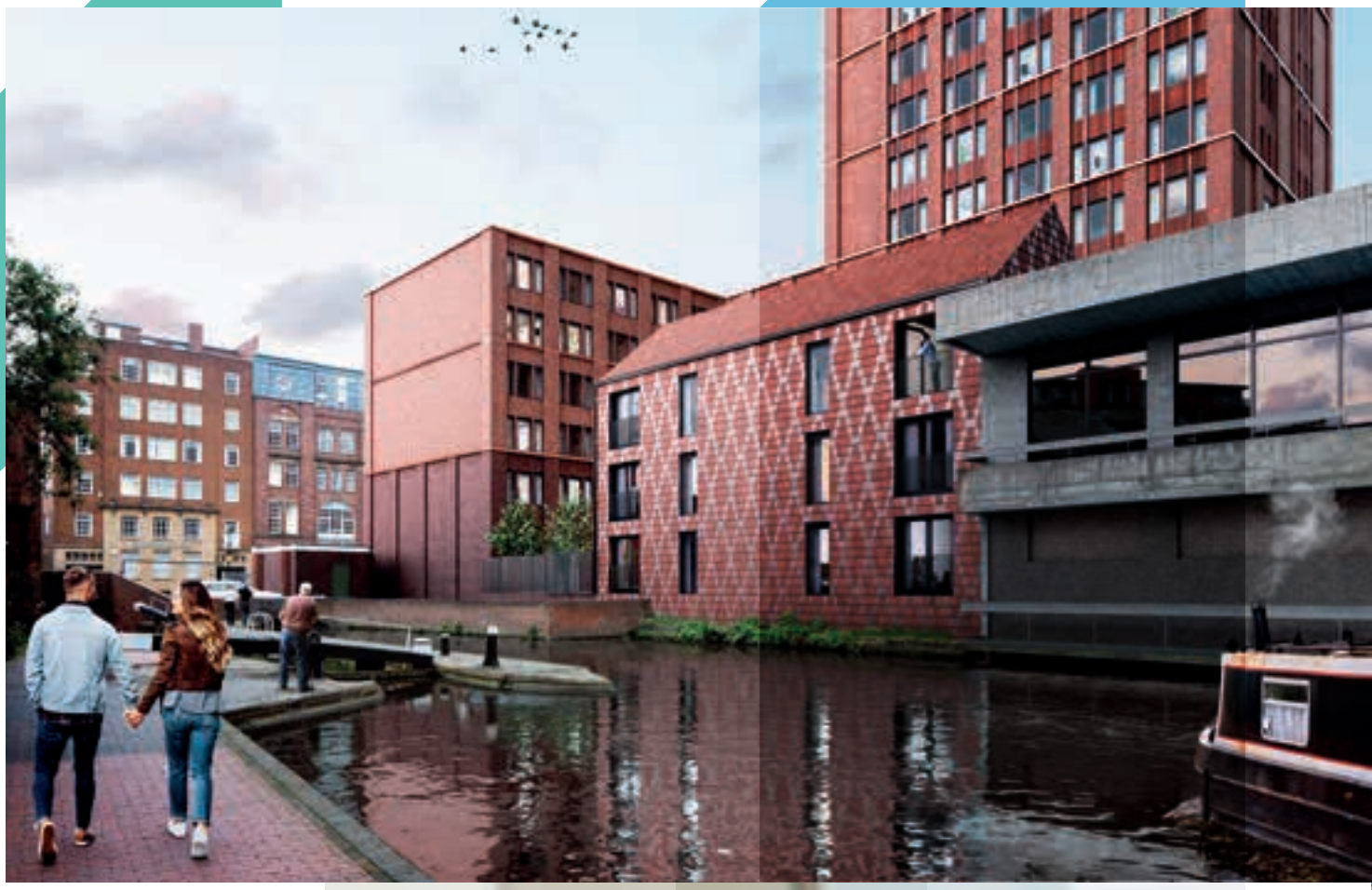
- The Responsible Business Committee and TCFD Steering Group will undertake a climate scenario analysis to best understand the potential risks and opportunities climate change poses and incorporate our response to these within our risk management framework, liaising as necessary with the Audit and Risk Committee.

Strategy

- The Responsible Business Committee will collaborate with the Board, and provide input to the Strategy Days in particular, to ensure that the approach to our climate-related activities integrates with, and is fundamentally incorporated into, the development of our short, medium and long-term commercial strategies.

Metrics and Targets

- Our Pathway to Net Zero Carbon will guide us to reduce our carbon emissions across Scopes 1, 2 and 3.
- We will also be incorporating additional metrics to develop our current measurement of resource use, waste, and biodiversity protection and enhancement, and consider how these metrics will also be incorporated within our performance measurement arrangements, including for remuneration outcomes, in the forthcoming years.



OUR GOVERNANCE

Board of Directors

1 **TIM ROBERTS**
Chief Executive Officer

2 **AMY STANBRIDGE**
General Counsel and Company Secretary

3 **DARREN LITTLEWOOD**
Group Finance Director

4 **JOANNE LAKE**
Deputy Chair

5 **GERALD JENNINGS**
Non-executive Director

6 **PETER MAWSON**
Non-executive Director

7 **JAMIE BOOT**
Chairman

8 **JAMES SYKES**
Non-executive Director

Board of Directors

Jamie Boot
Chairman

N

Date of appointment
June 1985.

Independent
No.

Brings to the Board
Key strengths:

- Extensive Group and leadership experience.
- Long-term track record in delivering sustainable growth to the Group.

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

Tim Roberts
Chief Executive Officer

Date of appointment
January 2020.

Independent
No.

Additional roles held
Previously Director of British Land PLC, and Non-executive Director of Songbird PLC.

Brings to the Board
Key strengths:

- Strong strategic and corporate experience accumulated as past long-standing Director.
- Strong property and leadership experience.
- Extensive experience in delivering significant property development projects.

Tim joined Henry Boot as Chief Executive Officer in January 2020. He is responsible for developing and implementing Group Strategy and has ultimate responsibility for Group profitability. Tim leads on engagement with all the Company's stakeholders, including interaction with investors and employees. He is also the Director responsible for all health, safety and environmental matters.

Darren Littlewood
Group Finance Director

Date of appointment
January 2016.

Independent
No.

Additional roles held
Director of the Company's four principal operating subsidiaries.

Brings to the Board
Key strengths:

- In depth Group and financial experience.
- Establishing and delivering strategy whilst protecting assets in the Group.

Darren joined the Group in 1999 prior to his appointment as Group Finance Director in 2016. He became qualified as a member of the Chartered Institute of Management Accountants in 2007 and is responsible for all financial and risk matters relating to the Group. He is heavily involved in investor communications and, along with Tim Roberts, is also responsible for communicating strategy and results to both private and institutional investors.

Joanne Lake
Deputy Chair and Non-executive Director

N A R

Date of appointment
October 2015.

Independent
Yes.

Additional roles held
Non-executive Chair of Mattioli Woods plc, Non-executive Director of Gateley (Holdings) Plc, Non-executive Director of Morses Club PLC, Non-executive Director of Honeycomb Investment Trust PLC.

Brings to the Board
Key strengths:

- Extensive financial and investment banking experience.
- In depth knowledge on strategy and governance.

Joanne has over 30 years' experience in accountancy and investment banking, including with Panmure Gordon, Evolution Securities, Williams de Broe and Price Waterhouse. She is a Chartered Accountant and a Fellow of the Chartered Institute for Securities & Investment and of the ICAEW, and is a member of the ICAEW's Corporate Finance Faculty.

Committee Membership

N Nomination A Audit and Risk R Remuneration Committee Chair

James Sykes
Non-executive Director

N

Date of appointment
March 2011.

Independent
No.

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

Brings to the Board
Key strengths:

- Significant strategic land knowledge.
- Sound financial background and experience.

As a partner in the Private Wealth and Estates Group at Saffery Champness he has many years' experience in the UK strategic land market and brings that experience to board decision-making generally but particularly to Hallam Land Management Limited.

Peter Mawson
Senior Independent Director and Non-executive Director

N A R

Date of appointment
October 2015.

Independent
Yes.

Additional roles held
Non-executive Chairman of Nexus Planning Limited, Board Representative for Paradise Circus Project for the Greater Birmingham & Solihull Local Enterprise Partnership and Non-executive Chairman of Infinite Global Consulting Inc.

Brings to the Board
Key strengths:

- Wide-ranging experience in senior leadership and practitioner roles across the built environment.
- Property development and planning knowledge in both the public and private sector.

Peter has a wealth of experience in the management and leadership of professional service firms, together with senior practitioner expertise across the built environment, from both public and private sector perspectives.

Gerald Jennings
Non-executive Director and Designated Non-executive Director for Workforce Engagement

N A R

Date of appointment
October 2015.

Independent
Yes.

Additional roles held
Non-executive Chairman of Social Communications (Leeds) Limited, Non-executive Director of the Ahead Partnership, Non-executive Director of West and North Yorkshire Chamber of Commerce, Non-executive Director at P.D.R Construction Ltd and Director of G R Jennings Properties Ltd.

Brings to the Board
Key strengths:

- Widespread industry experience in retail and property.
- Successful track record of delivering significant development projects and working with a wide range of stakeholders.
- Extensive experience in asset management.
- A variety of executive and non-executive roles over the years within the private, public and third sectors.

Gerald has over 30 years' experience in the retail and property industry and the delivery of major development projects and adding value through proactive asset management.

Amy Stanbridge
General Counsel and Company Secretary

Date of appointment
October 2018.

Additional roles held
Trustee of St Luke's Hospice, Sheffield & member of Business in the Community's (BITC) Yorkshire and Humber Board.

Brings to the Board
Key strengths:

- Significant legal, compliance, regulatory and corporate governance experience.
- Robust knowledge on all aspects of commercial law and practice.

Having obtained her qualifications at the Universities of Nottingham (LLB Hons) and Sheffield (PG Dip LP), Amy qualified as a solicitor in 2006 and as a Chartered Secretary in 2019. She is an experienced lawyer with a demonstrated history of working in-house in the public sector and construction industry. With a broad range of expertise across contract and commercial law and practice, construction matters, corporate governance and compliance matters. Amy has worked at Henry Boot PLC since 2014, becoming Company Secretary in 2018 and General Counsel in 2021.

Executive Committee

In 2020 Henry Boot reshaped its senior leadership team by forming an Executive Committee, to lead the business not only in continuing the Group's track record of delivering strong commercial returns but also to broaden the debate on important strategic objectives and help deliver their implementation more effectively.

Nick Duckworth
Hallam Land Management Limited

Date of appointment
Managing Director in 2016.

Brings to the role
Nick Duckworth MRTPI began his career in a private sector planning consultancy, Phillips Planning Services, in 1990. He left there in late 1992 and joined Hallam Land's then newly established Northampton office. In 1997 Nick set up the South West office of Hallam Land in Bristol and became the Regional Manager. He was appointed a Director in 2002.

Edward Hutchinson
Henry Boot Developments Limited

Date of appointment
Managing Director in 2018.

Brings to the role
Edward Hutchinson BSc (Hons), MRICS started his career in quantity surveying before quickly progressing into project management. He joined Henry Boot Developments in 2004 as a Project Manager rapidly rising to the position of Senior Project Manager in 2006. Edward was appointed a Director in 2012 and became Managing Director in 2018. In January 2021, he became a board member of the Yorkshire Board of Landaid.

Simon Carr
Henry Boot Construction Limited

Date of appointment
Managing Director in 2009.

Brings to the role
Simon Carr CBE, BSc (Hons), FRICS has been with Henry Boot for over 30 years. He was recognised in last year's Queen's Birthday honours list, receiving a CBE for services to the construction industry and charity. He is a board member and past national chair of the National Federation of Builders, past president of the Yorkshire Builders Federation and is a member of the CBI Construction Council. Simon also sits on the board of trustees for the Wentworth Woodhouse Preservation Trust and is a Non-executive Director of Wildgoose Construction Limited.

Giles Boot
Banner Plant Limited

Date of appointment
Managing Director in 2000.

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

Darren Stubbs
Stonebridge Homes Limited

Date of appointment
Chief Executive in 2010.

Brings to the role
Darren Stubbs has a wealth of experience in the housebuilding industry and a proven track record in delivering successful housing developments, spanning a 35-year career. He started work at Tay Homes plc at the age of 16 and just seven years later he was Managing Director of his own Leeds-based housebuilding company. Darren formed a new housebuilding company, Stonebridge Homes Limited, in 2010, which is a jointly owned company with Henry Boot PLC.

Rachel White
Henry Boot PLC

Date of appointment
Head of HR in 2015.

Brings to the role
Rachel White joined Henry Boot PLC in 2001 as a graduate trainee. She has held a number of roles in the HR team, before taking the role of Head of HR in July 2015. Rachel has responsibility for HR, Employee Benefits, Reward & Remuneration, Learning & Development and Payroll. Rachel is also a Trustee Director for Henry Boot Pension Trustees Limited, which oversees the Henry Boot Staff Pension and Life Assurance Scheme, and is a member of the Governance Committee for the Henry Boot PLC Group Stakeholder Pension Plan. Rachel leads on the development of our People Strategy to meet the requirements of our subsidiary businesses including succession planning and talent management. She also leads on Diversity & Inclusion, Wellbeing and Employee Engagement.

Additional Executive Committee Members

Tim Roberts
Chief Executive Officer

Darren Littlewood
Group Finance Director

Amy Stanbridge
General Counsel and Company Secretary

Chairman's Introduction

"Stakeholder engagement during a period of huge uncertainty and change is without doubt crucial to maintain confidence and support during these immensely trying times, and so has naturally remained a significant focus for the Board this year."

Jamie Boot
Chairman

Dear Shareholders,

Undoubtedly no report on activities in 2020 could be composed without considering the impact that was felt by the CV-19 pandemic, and that is equally true in respect of the ways our governance had to adapt to ensure best practice in response to the challenges posed by the pandemic. We have had to be more mindful of the views of our stakeholders; more alive and reactive to immediate risks and considerations requiring difficult decision-making; and more aware than ever that the strong culture of our business, as embodied in our values, will carry us through this crisis.

Within that context, it is notable that we have welcomed our new Chief Executive Officer Tim Roberts in 2020, at a time when the demands of that role could not have been greater. I must commend him on rising to the challenge of not only integrating very well into the Board and the wider business and introducing a number of new governance improvements, but also steering the ship with a steady hand during the immense pressures brought to bear by CV-19. Thanks again also to John Sutcliffe, who remained with us as an Executive Director to assist with Tim's induction into the business, and then retired in May 2020 with all of our best wishes.

UK Corporate Governance Code 2018

Whilst the bulk of our work to implement the requirements of the Corporate Governance Code took place during 2019, there were some issues that remained for us to resolve during the course of 2020 as identified in our last report, and we are continuously striving for self-improvement in the area of general good governance. This was supported by an internal audit of governance compliance in 2020, and the refreshed outcome of our overall review of Code compliance is on page 105.

ESG

Our focus on the arena of responsible business has taken a huge leap forwards this year with the appointment of a Responsible Business Manager, and you can read more about the exciting developments on this on pages 55 to 56. As a Board, we are increasingly conscious of the need to improve our disclosures around environmental, social and governance activities, and how these link closely with our approach to risk within the business and achievement of our strategic objectives. Our business has always prided itself within its culture of being a good corporate citizen, and I feel very gratified that we will now be able to demonstrate this more clearly through our new initiatives and reporting frameworks, which will only develop over time.

Strategy

This year with the guidance of Tim Roberts we have focused in even more thoroughly on our short-medium and longer-term strategic objectives for 2021 and beyond, through two Strategy Days carried out towards the end of 2020. Whilst the main strategic direction of the Group has not changed, this has allowed us as a Board to provide greater oversight of the key areas of strategic focus reflecting also on any macro trends presented within the industry. More details on this can be found on pages 30 to 31.

Culture

We have often spoken in previous reports of the culture of Henry Boot, as embodied through our purpose, vision and values in the Henry Boot Way. At no time have our attributes around Respect, Adaptability and Collaboration been required more than now, and as a Board we have been keen to monitor how these have been enacted and are felt across the Group during the pandemic. You can read more about how we do this on pages 84 and 85.

Our dedication to engagement with stakeholders

Stakeholder engagement during a period of huge uncertainty and change is without doubt crucial to maintain confidence and support during these immensely trying times, and so has naturally remained a significant focus for the Board this year. Formal consultation (such as remote investor presentations and consultations with major shareholders regarding the new Remuneration Policy), as well as informal feedback from other stakeholders such as employees, has been vital especially in circumstances where people are likely to feel more disconnected from the business. Our report on stakeholder engagement activities on page 88, and our section 172 statement on page 46, provide a detailed insight into the ways in which we have ensured that engagement has been tailored to adapt to the needs of our stakeholders in this shifting environment, and has been factored into important decision-making.

The following report sets out our structure, governance processes and key activities undertaken by the Board and its Committees during 2020. We welcome feedback from our stakeholders and I would encourage you to get in touch with us on any governance matters. Whilst we were hoping to be able to hold our usual gathering for the AGM this year, in light of the ongoing social distancing rules regarding large gatherings, and to safeguard the health of our employees and shareholders, ordinary shareholders and their proxies are kindly requested not to attend in person, as the number of permitted attendees is likely to be restricted. I would strongly encourage shareholders to appoint me as your proxy and submit your voting instructions (more details on how to do this are set out on page 199), and also to submit any questions you may have for the Board in advance, which we will endeavour to respond to via appropriate means. I thank you all for your understanding in this difficult time and look forward to seeing you again soon.

Jamie Boot
Chairman

16 April 2021

Code compliance

During 2020 the Board and its Committees have been carrying out extensive work to ensure wherever possible that compliance with the Code can be achieved, improving its operations and governance. This is demonstrated throughout this Corporate Governance Report and of particular note are the Code principles below with references to further detail as applicable.

Given our 135-year history as a family business, and as a FTSE Small Cap company, we have adopted alternative solutions to the provisions where we believe this is appropriate. The Code recognises that good governance can be achieved by other means, and the Board believes the approach we have taken is the most appropriate for the Company and its shareholders, while remaining consistent with the spirit of the Code.

Code principles

Division and responsibilities

Read more on pages 77 to 79

Board leadership and Company purpose

Read more on pages 80 to 90

Composition, success and evaluation

Read more on pages 91 to 99

Audit, risk and internal control

Read more on pages 100 to 104

Remuneration

Read more on pages 106 to 127

Governance at a Glance

Highlights

Promoting long-term success

- The Board met frequently to consider numerous issues arising due to the outbreak of the CV-19 pandemic, and required responses to ensure sustainable long-term stability for the Group
- The Strategy Days in November 2020 focused strongly on the strategic focus and direction of the Group including key focus on ESG and related matters
- Engagement of a Responsible Business Manager has established a focused direction for the development of sustainable success metrics in the future, linking strongly to Group strategy, also involving the establishment by the Board of a new Responsible Business Committee

Read more about **Our New Strategy** 30 on page 31

87.5% increase in Board meetings and Committee meetings from 2019, many to discuss issues arising from the CV-19 pandemic

Remuneration

- Preparation for the revised 2021 Remuneration Policy commenced in summer 2020 with a review of existing provisions, Code requirements and best practice
- With specialist external advice, Director's Remuneration Policy and outcomes have been debated and key stakeholders consulted
- Code compliance measures have driven the production of a Policy and associated Report on Director Remuneration which achieves excellent governance standards

Read more about **Remuneration** on pages 106 to 127

Consultation with stakeholders in relation to the new Remuneration Policy reached 69.55% of shareholders, as well as the Group Employee Forum

Diversity

- Work has commenced to implement our 2019 review of Diversity and Inclusion across the Group
- A Diversity and Inclusion Steering Group has been established, with Group-wide representation
- The Nomination Committee has been focussing in on actions the Board can take to implement its Board Diversity Policy

Read more about **Diversity Policy** on page 97

The D&I Steering Group is composed of 17 members from across the Group's main trading companies, with a split of 47% female 53% male participants

Workforce Engagement

- New engagement methods were established in reaction to the CV-19 pandemic, in order to ensure cohesion and consistency across the Group
- Group Employee Forum continued to meet regularly with the designated Non-executive Director and to refer decisions to the Board
- Assessment of workforce views on key topics has been maintained throughout 2020 with key outcomes shaping decisions on policy development

Read more about **Workforce Engagement** on page 86

Gerald Jennings on the Group Employee Forum: "It is important that we, as the Board, hear the views of employees and at the same time proactively ask employees for their views on key issues."

Corporate Governance Report

Division and responsibilities

UK Corporate Governance Code 2018

The Board is committed to achieving high governance standards and following best practice. Where we do not strictly follow the Code, considerable thought is given to ensuring that our approach aligns with the spirit of good governance, helps to promote high ethical standards and sustains the success of the Company over the long term. The governance structures in place are designed to reflect the individuality of the Company and the composition of both its institutional shareholders and individual shareholders, many of whom have family ties to the Company.

For this financial year, as a premium listed company, the Company was subject to compliance with the UK Corporate Governance Code 2018 (Code). Further details of how the Code has been applied are set out throughout this Corporate Governance section.

Board and Committee meetings

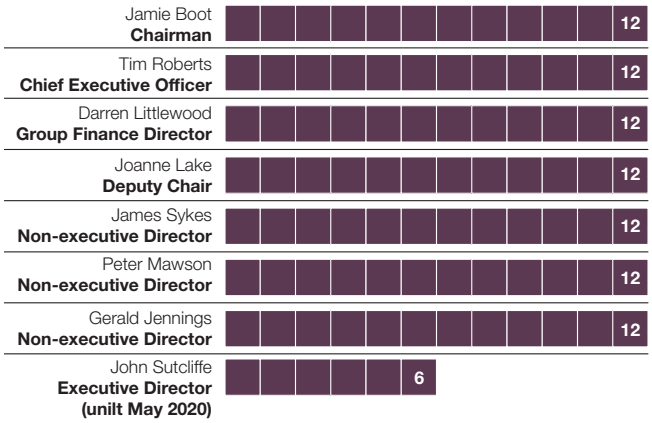
Throughout the year, there were seven Board meetings; five separate Board calls on single urgent matters; and two Strategy Days, one involving the Board and Executive Committee, and one for the Board alone. All members of the Board attended all of these meetings.

In addition to this, and in order to effectively carry out its duties, the Board delegates authority to Committees to look after specific areas of responsibilities. The Board has formally constituted Nomination, Audit and Risk, and Remuneration Committees which operate within their agreed terms of reference. These terms of reference have been updated during 2020 to ensure compliance with the requirements of the Code. Each Committee is provided with accurate, timely and clear information and has access to external consultants where necessary. Further details of each of the above Committees can be found on pages 78 and 79 and such details form part of this Corporate Governance Statement. In addition, for 2021 the Board established a new Responsible Business Committee to support the Board and Executive Committee of the Group with the development, delivery, and evaluation of the Group's new Responsible Business Strategy, to advise on proposed changes to reporting and governance, and to incorporate Environmental, Social and Governance (ESG) ambitions and targets in the Group's commercial strategy. Reporting on the activities of this Committee will commence in next year's Annual Report and Accounts. The number of Committee meetings are reported in each Committee report, and all members attended all Committees during 2020.

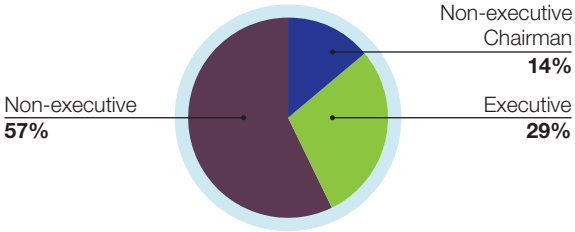
Board composition

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 70 and 71. The Board believes it has an appropriate balance of Executive and Non-executive, and independent and non-independent, Directors having regard to the size and nature of the business. There was a period of five months during 2020 when both Tim Roberts and John Sutcliffe were Directors on the Board, leading to there being less than half the Board comprising independent Non-executive Directors during that time. However, this was an important aspect of the handover of the role to the Group's new CEO, and was for a limited time only, following which the Board composition returned to being Code compliant. Further to a review by the Nomination Committee (see page 94), it is felt that the overall combination of experience, skills, knowledge and lengths of service of the current Board members provides an appropriate level of balance which contributes to effective decision-making and helps to mitigate risk.

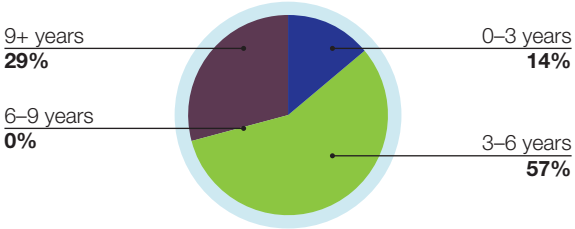
Board meeting attendance



Board composition



Non-executive Board tenure



Board independence

The Company recognises the importance of its independent Non-executive Directors remaining independent throughout their appointment. It enables them to provide objective advice and challenge the Executive Directors through their knowledge of the wider business environment and as a result of their diverse backgrounds.

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

As discussed in more detail in the Compliance Statement on page 102, Jamie Boot is regarded as non-independent having previously served as Managing Director. James Sykes is also not regarded as independent, having been appointed to represent the substantial shareholdings of the Reis family interests (see page 129). Accordingly, all memberships of the respective Committees are in line with the requirements of the Code.

Corporate Governance Report

Division and responsibilities

Governance structure

During 2020, the Board's activities in relation to good governance have been focused on embedding the changes brought about during its 2019 Corporate Governance Code review, and adapting as required to the changing circumstances brought about by CV-19 in an effective and compliant manner. This concluded at the close of 2020 in an internal audit of corporate governance, and in the limited number of areas in which compliance with the Code has not been achieved, the Board has either committed to adjusting measures to ensure full Code compliance or has carefully considered these and balanced the requirements of the Code against other factors relevant to the success of the Group as a whole, the position of various stakeholders, or against the need to ensure sufficient time to implement the requirements thoroughly. These areas are captured and explained throughout this report, and further details can be found on page 105.

The Board

The Board consists of two Executive Directors and five Non-executive Directors, including the Chairman. During 2020, Tim Roberts stepped into the role as CEO with effect from 1 January 2020, and John Sutcliffe provided transitional support to Tim for the first five months of 2020, stepping down in his revised role as Executive Director from the end of May 2020. Biographies are shown on pages 70 and 71. Roles and responsibilities for each Director can be viewed on the website:

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

The Board maintains a formal schedule of matters reserved for its decision. This remains under frequent review to align with new regulatory and best practice developments, and such matters being brought to the Board now require consideration to be given to input from stakeholders, assessment of key risks and links to strategy.

Key areas of Board responsibility include:

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

Specific **areas considered by the Board during 2020** are detailed on pages 82 and 83

Operational management of the subsidiary companies within the Group sits with their respective boards and Managing Directors. The Henry Boot PLC Board welcomes input from each of these Managing Directors at its meetings on a rotational basis, to discuss business plans and strategy, as well as at the Group's Strategy Days.

The functions of the Operations Board, established in January 2016 to review Group working and collaboration, strategic initiatives and risk, were revised and reframed during 2020, with the forum being re-established as the Group's Executive Committee. Continuing members are the CEO, Group Finance Director, four main subsidiary company Managing Directors and the Chief Executive of Stonebridge Homes Limited, with the Head of HR and General Counsel and Company Secretary being added as members of the Executive Committee during 2020.

Board Committees

AUDIT AND RISK COMMITTEE

Chair:
Joanne Lake

Members:
Gerald Jennings, Peter Mawson

Attendees:
May include other directors, representatives of external and internal auditors, Group Finance Controller

Agenda:
External and internal auditor work, monitoring of key and emerging risks, review of full and half-year results (including going concern and viability statements)

Read more on pages 100 to 102

Subsidiary Board Meetings

LAND PROMOTION

Hallam Land Management Limited

Attendees:
Nick Duckworth, two main Board Executives and the Company Secretary

Key

- Board oversight
- Board delegation
- Board support

BOARD OF DIRECTORS

NOMINATION COMMITTEE

Chair:
Peter Mawson

Members:
Jamie Boot, James Sykes, Joanne Lake, Gerald Jennings

Attendees:
May include Executive Directors and Head of HR

Agenda:
Review of Board and Committee effectiveness and skills, succession planning, diversity and inclusion

Read more on pages 94 to 98

REMUNERATION COMMITTEE

Chair:
Gerald Jennings

Members:
Joanne Lake, Peter Mawson

Attendees:
May include other Executive Directors and Head of HR

Agenda:
Setting and applying Remuneration Policy including salaries, bonuses (achievement and objective setting), share scheme review and application, wider workforce remuneration issues

Read more on pages 106 to 127

The day-to-day management of the Company's subsidiary businesses and the responsibility for their operational decisions sits with each respective Board of Directors, led by a Managing Director. Subsidiary company Managing Directors attend Group Board meetings on a rotational basis to present their operational business plans and strategy.

PROPERTY INVESTMENT AND DEVELOPMENT

Henry Boot Developments Limited

Attendees:
Edward Hutchinson, two main Board Executives and the Company Secretary

Stonebridge Homes Limited

Attendees:
Darren Stubbs, and two main Board Executives

CONSTRUCTION

Henry Boot Construction Limited

Attendees:
Simon Carr, two main Board Executives and the Company Secretary

Banner Plant Limited

Attendees:
Giles Boot, two main Board Executives and the Company Secretary

Road Link (A69) Limited

Attendees:
Trevor Walker, Simon Carr and John Sutcliffe

Executive Committee

Reformulated from the existing Operations Board in December 2020, to broaden the debate and discussion amongst the senior team and to ensure wider strategic objectives and initiatives are being set alongside the Group's commercial targets.

Attendees

The CEO, Group Finance Director, the four main subsidiary company Managing Directors and the Chief Executive of Stonebridge Homes Limited, the Head of HR and the General Counsel and Company Secretary.

Corporate Governance Report

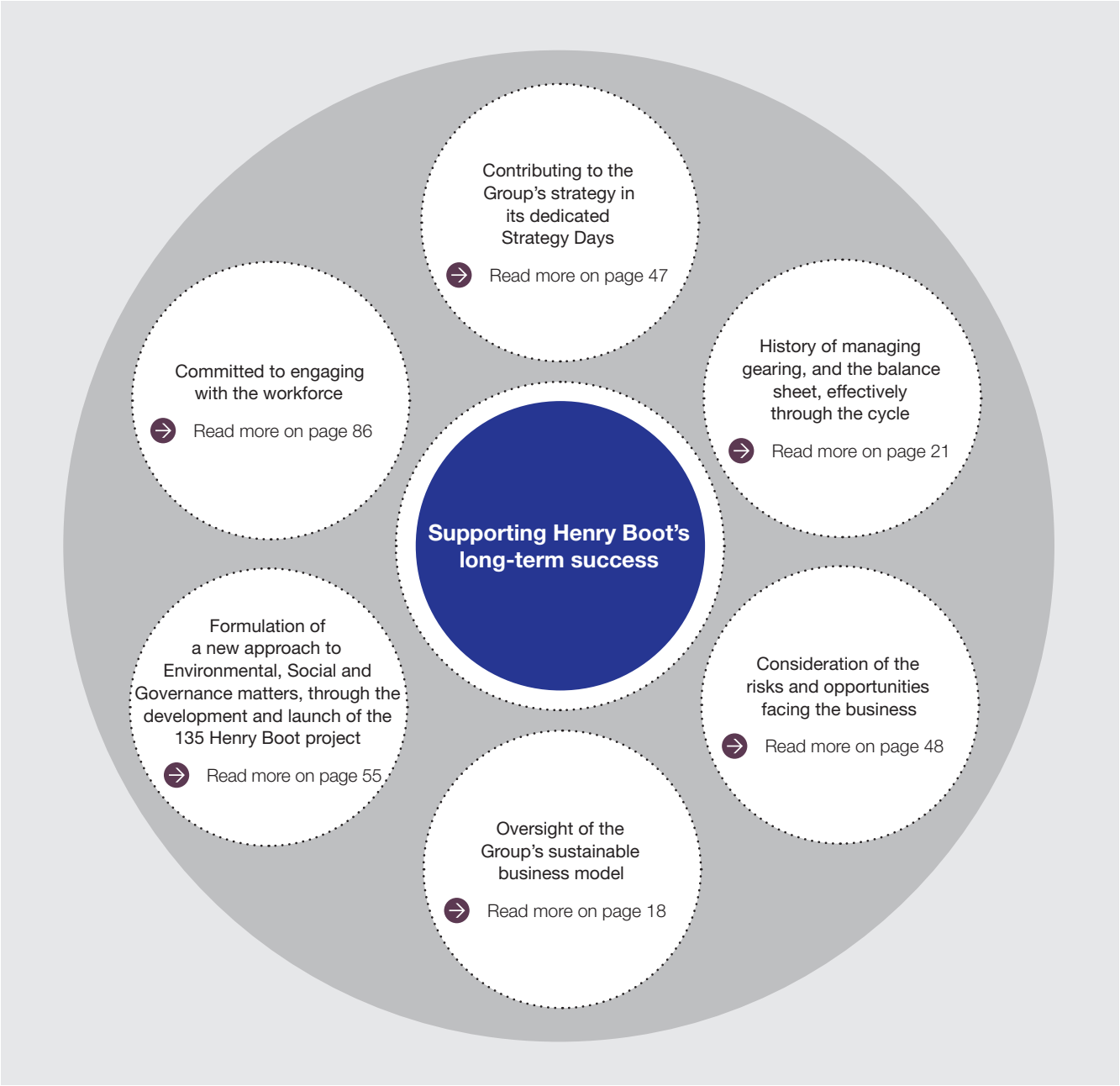
Board leadership and Company purpose

ENABLING LONG-TERM SUSTAINABLE SUCCESS

Henry Boot's long-term success is founded upon a clear purpose and supporting strategy, which considers the views and needs of its many stakeholders.

Details of the Board's contribution to the long-term success of the Company whilst ensuring responsible governance, strategy implementation and oversight of operations is set out below.

Read more about **how the Board considered the views and needs of the Group's stakeholders** on pages 88 and 89



Corporate Governance Report

Board leadership and Company purpose

BOARD ACTIVITIES

What was on the Board's agenda this year

The Board has a Forward Business Schedule to ensure that important strategic and governance issues are regularly brought to the Board; that they hear from more members of the executive team; and that consideration of strategy, key risks and objectives are routinely included. Issues relating to the strategy of the business, stakeholders, governance and risk are scheduled for discussion by the Board, alongside the routine items on health and safety, financial matters and Group operations.

How the Board responded to the CV-19 pandemic

The Board recognised that its approach to governance had to flex in order to adapt to the challenges and changing landscapes presented during the early days of the CV-19 pandemic. This included:

- Board meetings moving to virtual platforms
- One-off Board meetings
- Receiving regular updates from the CEO on immediate operational issues arising from the CV-19 pandemic
- Supporting the establishment of a Coronavirus Committee to oversee and implement business continuity measures

Read more about **our response to CV-19** on pages 44 and 45

Support from the Board Committees

Audit and Risk Committee

- liaison with the previous external auditors, PwC, in relation to ongoing issues regarding the sign off of the 2019 financial results due to temporarily stricter auditing practices in place
- a more frequent review of the risk register generally, and consideration of any specific risks arising in relation to the pandemic
- adjustment to the onboarding of new external auditors, EY, to commence their work with the 2020 half-year results

Remuneration Committee

- responsive to impact of market volatility and investor sentiment in relation to remuneration objective setting and outcomes throughout the year
- making difficult remuneration decisions impacting on Executive Directors and the wider workforce (see also s.172 statement on pages 46 and 47).

How the Board contributed towards the Group's strategic direction

Whilst the Board is considering strategic direction throughout the year, this becomes an area for specific focus on the Board's Strategy Days. The Board met twice to carry out the Strategy Day business, on one occasion with the Executive Committee, to discuss short and longer-term strategic objectives and areas of focus.

A number of the Board's key strategic decisions specifically demonstrate compliance with section 172 of the Companies Act 2006 and are set out on pages 46 and 47. Naturally, the Board ensures that strategic objectives and stakeholder considerations are addressed in all Board decisions and governance processes, and some further areas looked at this year demonstrating this are:

Area	Link to Strategy	What was reviewed and considered?
Health and safety E Su En Co C		Though this is always a key consideration for the Group, as one of Henry Boot's core strategic objectives, it has doubtlessly been even more of a focus during 2020 due to the CV-19 pandemic. The Board received regular updates on the ways in which the various parts of the Group had been required to adapt to manage the requirements brought about by the pandemic, most notably the stringent operating protocols that were necessary in order for construction sites and depots to remain operational. This is set against the Group's usual backdrop of good governance and striving for continuous improvement in the areas of Health and Safety generally.
Diversity and Inclusion E Su En Co C		The Board has had key oversight this year of the Group's developing initiatives in the area of diversity and inclusion, commencing with a review of the externally-sourced report of the Group's approach in early 2020. This has culminated in the establishment of a Diversity and Inclusion Steering Group to direct the implementation of the recommendations in the review. Alongside this, the Board has been considering its own approach to increasing diversity and inclusion, which you can read more about on page 97.
Kangaroo Works and Heart of the City Block H E Su En Co C		Henry Boot Construction's tendering activity throughout 2020 has remained strong and the Board have considered two crucial schemes in the heart of the construction division's operating area of Sheffield, in the Kangaroo Works and Heart of Sheffield Block H scheme. Both are substantial schemes which also contribute to the wider economic and social redevelopment of Sheffield City Centre, and the Board carefully considered the ways in which these schemes advanced the Group's strategic core markets of residential and urban development.
CEO induction and embedding E Su En Co C		Though the induction process for Tim Roberts commenced in 2019, with the assumption of his role as CEO from the start of 2020 the Board have been instrumental in welcoming Tim and working with him to develop his knowledge of the business and understand his priorities and strategic goals for the Group. Though no doubt interrupted by the CV-19 pandemic, Tim's focus has remained on delivering his 'First 100 Days' priority agenda and working with the Board to ensure mutual agreement of aims; similarly, the Board (through the Nomination Committee) has monitored the onboarding and embedding process to optimise the best induction for Tim into the Group.
Starfish liquidation E Su En Co C		During 2020, as the impacts of the CV-19 pandemic on various parts of the Group became evident, the Board had the difficult task of determining that Starfish Commercial Limited, acquired by Henry Boot Construction during 2019, should be placed into creditor's voluntary liquidation. Though Starfish's operations were strongly linked to one of the Group's core markets of residential development, the company was not performing in line with expectations, and CV-19 materially impacted its operations to the extent that it was unable to recover to a sustainable level. Accordingly, the decision was taken to discontinue Group funding to the company, leading to its liquidation.

Group strategic priorities

Safety · Delivery · People · Growth

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

Stakeholders

E Employees · Su Suppliers · Sh Shareholders · En Environment

C Customers · P Pensioners · Co Communities

Corporate Governance Report

Board leadership and Company purpose

THE HENRY BOOT WAY OF DOING BUSINESS

OUR CULTURE

Our Culture

The Henry Boot Group adopted its Purpose, Vision and Values in 2017 after extensive work had been carried out through numerous Group employee engagements – this is referred to as the 'Henry Boot Way'. By approaching the definition of our culture in this way, we ensured that we could capture the thoughts of employees through a 'bottom-up' approach, and could have a culture that reflected all. Since then we have been on a journey to embed the Henry Boot Way throughout our business, and it remains a key element in our Group strategy. The Board recognises that not only does it have a key role to play in living the Values itself, but also in monitoring the way in which those Values and the overall culture of the Group is embedded within its strategy and general approach to business.

HOW THE BOARD MONITORED CULTURE IN 2020

Action	Link to culture
Engagement surveys	Following the engagement of a specialist employee survey provider in late 2019 and as reported on in last year's report, the Board and subsidiary boards reflected on the outcomes of the main employee survey, and referred them to the subsidiary employee forums for review and discussion. Further surveys on specific issues, such as the CV-19 pandemic response, and the proposed approach to agile working, have also been carried out in 2020 and the results considered by the Board. A repeat of the main employee survey was also carried out from 2020, which the Board reviewed and considered in relation to the next required steps arising.
Employee forum	As described on page 86, the Group and subsidiary employee forums provide a key method of employee engagement on a number of issues including cultural matters and perceptions throughout the Group. This is fed up to the Board through the designated Non-executive Director appointed to liaise with the Group Employee Forum, so that the entire Board can benefit from hearing the feedback and respond to issues as necessary.
Coronavirus Committee	Established in February 2020, and comprising both Board and non-Board members, this mechanism enabled feedback from the Group to be filtered up to the Board on various measures taken, such as communications methods and remuneration outcomes.
Webinars	Arising from the Coronavirus Committee's desire to employ different engagement methods during CV-19 pandemic, taking into account the complexities of engagement during widespread remote working, the Group utilised live webinars with Q&A functions, featuring Board and non-Board members. One example was "CV-19: Planning for the Future", giving updates on the business during the height of the pandemic, the response undertaken to date and the route to recovery. Following the webinars, feedback on the key messages was also shared with the Board.
Strategy Days	The Group's People Strategy, alongside the wider strategy of the businesses, was discussed – with issues such as attraction and retention of employees linking to key strategic objectives and with the Board and Executive Committee considering how this could enable the delivery of the key strategic objectives.
Cultural assessment	The Board plans to work with its external auditors, EY, on some further cultural assessment engagement during 2021 to complement its main employee survey outcomes.

OUTLOOK

Clearly work on monitoring the culture of the Group will continue to evolve and adapt to the changing circumstances of our working arrangements, and also take into account the outcomes of ongoing and future engagement methods. The Board's establishment of a Responsible Business Committee (see page 56) will be yet another strand of connection to the wider workforce and to the embedding of Henry Boot Way culture-related activities from 2021 onwards.

Corporate Governance Report

Board leadership and Company purpose

EMPLOYEE ENGAGEMENT

As we often state, Henry Boot's greatest assets are its people and as such are a key focus across the organisation, including at Board level, to ensure that employee views are being taken into account. Following some crucial work carried out by the Engagement and Cooperation Working Group (formed to implement a key action arising from the One Henry Boot initiative), we have established two key methods of direct Board employee engagement, also demonstrating compliance with Provision 5 of the Code:

- the founding of a Group Employee Forum;
- the appointment of a designated Non-executive Director of the Board to liaise with the Forum.

We also refer to employee engagement in a number of ways in our Responsible Business report on pages 57 to 61, and in this section, we outline further the ways in which that engagement has specifically taken place with the Board.

Employee forum

As we described in our Annual Report and Accounts for 2019, in that year we first established our Group and subsidiary Employee Forums. Each main wholly-owned subsidiary (and Henry Boot PLC) set up its own 'Subsidiary Employee Forum' (SEF), the Chair of each of which meets to form the 'Group Employee Forum' (GEF). This initiative has continued throughout 2020 and, despite the natural challenges presented by the CV-19 pandemic (which Gerald Jennings, the designated Non-executive Director liaison with the GEF speaks about opposite), the GEF has had significant input on a number of matters, which are outlined here.

Outcomes

A number of the key issues discussed, some of which have been referred up to the Board or elsewhere throughout the Group for resolution and/or discussion and feedback, are outlined here:

- **Executive Remuneration** – the consultants appointed by the Remuneration Committee, Korn Ferry, attended a GEF meeting to discuss various elements of Executive Director remuneration and the approach being taken for the updated Remuneration Policy being proposed for 2021, to aid understanding and also explain the alignment with the Group's wider remuneration policy – the latter being an issue that continues to be in development for 2021.
- **ESG** – the Group's newly appointed Responsible Business Manager attended a GEF meeting, to discuss to Group's proposed approach to environmental, social and governance matters and the development of the longer-term Responsible Business Strategy.
- **Agile Working** – GEF members were canvassed for their views on the Group's proposed approach and asked to contribute to the consultation activities (through surveys and webinars) being carried out widely across the Group. GEF members remain involved in the ongoing approach to this issue to ensure that the diverse needs of employees are considered.

Other issues raised and responded to related to issues such as HR policy and rewards, office management, financial and IT Group systems.

Other employee engagement initiatives

Employee survey

Henry Boot's key strategic priorities, which are centred around safety, people, growth and delivery, can only be enhanced by seeking feedback from our workforce and ensuring, where possible, that we are addressing areas of concern which may be leading to disengagement in the workforce. Henry Boot aims to achieve high levels of engagement through a number of methods, to create a culture and an environment where our people can be the best version of themselves at work.

Case study: Group wide webinars

It became quickly apparent during the CV-19 pandemic that employee engagement methods and frequencies would need to be revisited, taking into account the complexities of engagement during widespread remote working, and one of the ways this was achieved was through live employee webinars with Q&A functions. These featured Board and non-Board members, and in particular members of the Group Employee Forum who have been helping to steer on matters such as the Group's agile working approach. This form of engagement, being much more personal and interactive, has meant both a greater visibility for employees of the Group's approach on key strategic issues, but also greater visibility of senior leaders across the workforce in a more interactive forum.

"2020 presented challenges for all and understanding the impact of CV-19 has been fundamental to helping employees navigate the changing environment. Through the use of webinars with live Q&A functionality, we have effectively been able to see how people have been adjusting to the pandemic's restrictive conditions and receive feedback that has helped shape and improve our engagement methods for the long-term."

Darren Littlewood
Chair of the Coronavirus Committee

In late 2019 the Group commissioned a specialist employee survey provider to undertake an anonymous employee engagement survey which would seek to build on the work carried out on the 'Henry Boot Way' and would provide us with a framework of questions which could be repeated on an annual basis with little or no amendment in order that we can assess progress. The Board reviewed the outcomes of the 2019 survey during 2020 and also asked for the results to be disseminated to the Group Employee Forum to discuss with their members separately. A slightly revised version of this survey was then issued for 2020, building on the key themes but looking to maintain consistency in questions for a comparable result. The responses provide insight into Henry Boot as a whole as well as individual subsidiaries, and will be shared and discussed with the PLC Board, Executive Committee and employee forums, for feedback and development of ways of addressing any key outcomes. More detail on this is found in our Responsible Business report on pages 55 to 65.

Diversity and Inclusion

Being a diverse and inclusive workplace is a further strategic priority that Henry Boot is keen to embrace linking to its main strategic objectives. We welcome the differences that people bring to the table, whether that be due to gender, age, race, religion, ability, social background or any other aspect of an individual which makes them unique. It is recognised that the industries in which we work have some challenges relating to this issue and that although increasing diversity and inclusion will not occur over a short period of time, it takes commitment, clear policies and goals and investment in building the talent pipeline. The Board takes a keen interest in the development of the Group's initiatives in this area, which are described more on page 59 within the Responsible Business report, and is also through the Nomination Committee looking at ways to align the wider Group approach with that of the Board. More about this is described in the Nomination Committee report on page 97. Diversity and Inclusion will also form a key cornerstone of the work to be carried out by the newly formed Responsible Business Committee.

Wellbeing

In the 2019 Annual Report and Accounts, we outlined the launch of the SMILE platform that had taken place during the year, which combines all of our wellbeing offering into one place and makes it easily accessible to all employees.

SMILE is an online platform which splits our wellbeing provisions into three categories: Wealth, Health and Lifestyle. The platform acts as a support mechanism and helps employees to source the guidance that they need, and is described further in the Responsible Business report at page 57.

Naturally during 2020 employee wellbeing has been particularly pertinent given the difficult circumstances presented by the CV-19 pandemic, which is something that has been closely monitored by the Coronavirus Committee through surveys and other data, and fed back to the Board. The Committee has also been looking at lessons learned arising from the pandemic, some of which represent potential improvements to working practices which will feed into our wellbeing offering, and this will be reported in relation to our 2021 performance.

Q&A:

WITH GERALD JENNINGS

(Designated Non-Executive Director responsible for GEF liaison)

Q: What were some of the key highlights for the past year?

A: The Forum members have worked well together and have shown an eagerness to be involved in strategic issues. I have been pleased to see a two-way dialogue between the Forum and the Board, which has been a good start to the engagement I have been keen to encourage. Introducing the new Chief Executive, Tim, to the Forum members has opened up a new means of proactive communication, which has worked well and has been effective. Towards the end of the year our newly recruited Responsible Business Manager spoke at a Forum meeting and there was a very constructive discussion around the ESG agenda. In the same way the Forum has been active in inputting into issues such as agile working. A new initiative has been opening a discussion with the Forum around Remuneration and consulting on Executive Director's rewards. As Chair of the Remuneration Committee, I was able to arrange for the Forum to speak with our Remuneration Consultant to deepen the Forum's understanding.

Q: How did the CV-19 pandemic affect employee engagement?

A: Clearly CV-19 had an initial impact on the activities of the Forum and the ability to meet in person. As with much of the Company's business, however, the Forum quickly adapted and regular meetings took place digitally. There was, relatively, little disruption to the effectiveness of the Forum and it was noteworthy that Forum members continued to be engaged and keen to discuss and debate key business matters.

Q: What areas does the Board want to focus on in the future?

A: It is important that we, as the Board, hear the views of employees and at the same time proactively ask employees for their views on key issues. I want to ensure we have an effective two-way dialogue. Some of the key issues include: how we continue to work through, and out of, the pandemic; how we improve our workforce reward structure; feedback on strategy particularly in relation to our culture; and how we improve our ESG outcomes in relation to key areas of Diversity and Inclusivity, tackle climate change and continue to be a business that employees are proud to work for.

Corporate Governance Report

Board leadership and Company purpose

HOW THE BOARD ENGAGES WITH STAKEHOLDERS

In 2019, the Board formally adopted a Board Stakeholder Policy, which was key in setting the existing status of current and future engagement with all of the Group's key stakeholders. These stakeholders were identified through the One Henry Boot project as being those groups whose interests and views are vital to the operation and culture of the Group.

E Employees

Method	Info flow to Board	Direct Engagement
Group Employee Forum (GEF) and Nominated Non-executive Director (discover more information on this on pages 86 to 87)	Nominated Non-executive Director fed back any issues arising and decisions required by the Board on issues presented by the GEF.	GEF meetings attended by Nominated Non-executive Director. Planned in-person meetings between the whole Board and GEF postponed due to social distancing and will be revived in 2021.
Attendance by Board at subsidiary meetings	Subsidiary board MDs and department heads attended Board meetings to discuss issues relevant to their company and key issues throughout the Group.	Board members attended subsidiary board and other meeting opportunities throughout the year.
Different forms of engagement interactive communications including webinars with Q&A sessions have been used to engage with employees on a range of matters this year.	The wider Board were kept aware of the webinars, were able to attend them and received feedback on issues arising afterwards.	The CEO and Group Finance Director both participated in the webinars to employees.
Employee engagement surveys Due to the CV-19 pandemic, these have been carried out more frequently throughout the year (read more about this on pages 86 to 87).	Results of employee survey including actions arising are brought to the Board following completion for review and agreement of next steps.	

Co Communities

Method	Info flow to Board	Direct Engagement
Environmental, social and governance (see more about this under our Responsible Business section on pages 62 and 63)	The Board have proactively been informed about and debated ESG trends and forthcoming developments and what the response from Henry Boot will be, including as part of the Strategy Days.	The Responsible Business Manager has met routinely with the Board and presented at Board meetings since being appointed. The CEO and Group Finance Director have been proactively involved in the development and initial delivery of the Group's Responsible Business Strategy. Formation of a Responsible Business Committee, with Board Directors as members, will be carried out during 2021.
Reserved Matters	Approvals now require specific consideration of stakeholder engagement.	
Community engagement	This is now being considered more widely under the banner of ESG.	

En Environment

Method	Info flow to Board	Direct Engagement
Environmental, social and governance (see more about this under our Responsible Business section on pages 64 and 65)	The Board have proactively been informed about and debated ESG trends and forthcoming developments and what the response from Henry Boot will be, including as part of the Strategy Days.	The CEO and Group Finance Director have been proactively involved in the development and initial delivery of the Group's Responsible Business Strategy. Formation of a Responsible Business Committee, with Board Directors as members, will be carried out during 2021.
Current environmental assessment and reporting	Reporting requirements and methodologies form part of reports to the Board in relation to formulation of the Group's Responsible Business Strategy.	
Matters Reserved for the Board	Reports from Group subsidiary companies now contain consideration of environmental issues.	

Sh Shareholders

Method	Info flow to Board	Direct Engagement
Investor Roadshows	Structured feedback sessions are reported to the Board.	Take place annually with the CEO and Group Finance Director (carried out via virtual meetings during 2020).
Focused investor communication	Outcomes of any investor consultations are reported to the Board.	Undertaken via letters/ telephone calls regarding significant 'votes against' and other issues of interest to investors prior to AGM, in particular during 2020 focused around the revised Remuneration Policy.
Regular Board updates	Provided in relation to investor and proxy advisor sentiment collated by management / brokers / PR consultants.	
Shareholder engagement with family members		Done informally through family/ other relationships with Board members, on ad hoc basis.
AGM		Usual formal and informal engagement by all Board members directly with shareholders sadly compromised due to CV-19. Read more about the AGM on page 89.

During 2020, this was reviewed and further developed to ensure that methods of engagement were significant and relevant, whilst taking into account the substantial logistical issues presented by CV-19 and social distancing. Work will be ongoing during 2021 to ensure that stakeholder views are more clearly incorporated into the Board's decision-making procedures (as shown in our section 172 statement on pages 46 to 47), as well as evolving ways in which methods of engagement are made convenient to those stakeholders.

P Pensioners

Method	Info flow to Board	Direct Engagement
Pensioner's lunch		Usually arranged by the Company and attended by Board members (impacted by CV-19 in 2020).
Ad hoc events for pensioners and family members		Wherever possible these are attended by Board members.
Pensions report	Presented at every Board meeting as to performance of the pension scheme.	

C Customers (including local authorities)

Method	Info flow to Board	Direct Engagement
Subsidiary engagement	Formal and informal feedback methods are carried out throughout the Group, methods of further engagement being considered by the Executive Committee.	
Awards	In conjunction with our clients and customers, we represent our joint success in schemes across the Group through achievement of numerous awards.	

Su Suppliers

Method	Info flow to Board	Direct Engagement
Health and Safety	This is continuously monitored and reported to the Board.	
Interactions on site	Operations on site are part of the observation and feedback process.	

Sh Our engagement through the Annual General Meeting

The Board carefully considered the best method of engagement with its shareholders due to the inability to hold an in-person AGM in 2020. The slightly delayed AGM in June 2020 welcomed questions to be submitted by shareholders in advance, and proxy voting in advance of the meeting was strongly encouraged, with an online presentation containing business updates presented by the CEO available. Though the Board was saddened to be unable to welcome shareholders in its usual manner, it felt that the format adopted provided appropriate avenues for engagement, and will be adopting a similar format for the 2021 AGM, as set out in the Notice of Annual General Meeting on pages 199-201.

Corporate Governance Report

Board leadership and Company purpose

Board performance review

Building on our evaluation activities in previous years, a further formal and rigorous internal performance review was undertaken in 2020 for the Board, its Committees, the Chair and each individual Director. The process and results are set out below.

Process

STEP 1

Board discussed and agreed preferred approach in October 2020, to proceed with an internal performance review for 2020.

STEP 2

Questionnaire content agreed with Chairs, which were then issued with a two-week response period and individual interviews arranged with Jamie Boot and Peter Mawson (for Chair and individual member evaluations).

STEP 3

Questionnaire deadline, results collated and reports written.

STEP 4

Reviewed results with Board and respective Committees, and agreed actions for 2021. Reviewed progress against 2020 actions.

STEP 5

In May 2021, carry out mid-year review of progress against 2021 actions.

Areas where the Board scored strongly:

- Diverse but relevant skills and/or experience
- Openness
- Collaborative and supportive approach
- Provide a good level of challenge
- Commitment and passion for the business

Corporate Governance Report

Composition, success and evaluation

2020 action areas	Progress during 2020	Action areas for 2021
Board and Audit and Risk		
Strategy Introduction of two shorter Strategy Days throughout the year; one for subsidiary strategies and one for the PLC.	Two Strategy Days were carried out during for November 2020, one to involve the Board and Executive Committee, one for just the Board.	**Strategy** Ensure there is a regular update to the Board on progress against the 2020 Strategy Day actions.
Reports CEO Board report to be created for each meeting.	CEO Board Report now included for each Board meeting agenda.	**Reports** Ensure that stakeholder engagement and views are built into Board reporting more robustly.
Reports Subsidiary reports to be aligned by creating a template, with Board papers to be standardised and include an executive summary with a limited number of pages sent to the Board.	Initial work on this commenced during early 2020. All subsidiary reports now have an executive summary and the papers have been slimmed down. To be continued during 2021.	**Reports** Work with the Executive Committee to develop consistency and brevity of subsidiary reporting and ensure that they contain clear and concise summaries.
Risk Board calls to be arranged for matters requiring Board approval, which could not take place at a scheduled board meeting, to allow time for discussions on risk.	Board calls were arranged for items needing approval particularly in response to the changing requirements presented by the CV-19 pandemic and the shifting of dates relating to results.	
Stakeholder engagement Increased site visit opportunities to be offered to the Board.	Board is given a forward schedule of site meetings, subsidiary meetings and other engagement opportunities in each Company Secretarial Report.	**Engagement** Facilitate more opportunities for Board members to engage more widely with employees from across the Group, not just at Board meetings.
Risk review Detailed review of principal and emerging risks and the mitigation measures in place.	Review commenced in January 2020, for reporting in the 2019 annual report and accounts, along with setting the risk appetite statement and risk approach for the Group. This is set to be reviewed again towards the end of 2021 in conjunction with EY, who are carrying out a detailed risk mapping exercise with BDO to identify risk owners and mitigations.	**Risk review** Continue ongoing review of risk appetite, principal and emerging risks and the mitigation measures in place. **Risk mapping** Undertake a risk assurance mapping exercise in conjunction with internal/external auditors.
External audit Set expectations for new external auditor and robustly assess the audit plan.	Expectations set during tender process for selection of EY as new audit partner. Audit plan assessed at Committee meeting in October in depth, with challenges made to risk assessment criteria and materiality thresholds.	**External audit** Evaluate first full financial year audit carried out by EY to identify any pinch points or lessons learned.
Internal audit Consider whether to hold an extended meeting with the internal auditors without management present.	Meeting held at commencement of August Committee meeting between Committee members and BDO.	**Internal audit** Tendering the position of internal auditor, and considering the approach and content for internal audit for 2022 onwards.

Corporate Governance Report

Composition, success and evaluation

2020 action areas	Progress during 2020	Action areas for 2021
Nomination		
Equality, diversity and inclusion Monitor equality, diversity and inclusion initiatives across the Group to encourage progress against diversity targets in the Board Diversity Policy.	D&I is a strategic priority forming part of the personal objectives for the CEO, the MDs and other senior managers. Engaged the services of external advisers in late 2019 to undertake research into D&I across the Group. Results of the research shared in July 2020 (delayed due to CV-19). Following this, a D&I Steering Group was set up with the purpose of addressing areas highlighted by external advisers, sharing ideas and discussing priorities to develop a Group Equality, Diversity & Inclusion Strategy. As part of the December meeting, the Committee considered areas where further action is required to implement the Board Diversity Policy.	**Equality, diversity and inclusion** Continue to monitor and support Equality, Diversity and Inclusion initiatives across the Group with the corresponding link that this represents in providing progress against diversity targets in the Board Diversity Policy.
Skills development Consider the future Group strategy and the skills needed at Board level to bridge any skills gaps.	As part of its annual review, the Committee considered upweighting the technical skills of the Board in relation to IT and D&I. With regards IT, a strategy is in development to strengthen internal expertise over time. With regards D&I, extra learning and development activities for the Board are to be arranged.	**Skills development** Continue to consider the future Group strategy and the skills needed at Board level to bridge any skills gaps.
Succession planning Review at least annually the succession plan for Executive Directors and senior management and, in light of the Senior Leadership Development Programme (SLDP), invite Managing Directors of each Henry Boot subsidiary to prepare a succession plan for the senior leadership within their business.	Much of the focus has been on succession planning for certain individuals, with additional Committee meetings arranged throughout the year to review and agree a plan for these individuals. An annual review of succession plan and update on the SLDP and Leadership Development Programme (LDP) considered at December Committee meeting.	**Succession planning** Continue to review at least annually the succession plan for Executive Directors and senior management and, in light of the SLDP, invite the Executive Committee to prepare a succession plan for the senior leadership within their teams.

2020 action areas	Progress during 2020	Action areas for 2021
Remuneration		
Advisors Appoint external consultants for Remuneration Policy guidance.	Korn Ferry appointed in June 2020 to lead the work required for the refresh of the Remuneration Policy and other associated workstreams.	**Disclosure** Considering appropriate levels of disclosure in relation to the new Remuneration Policy and its application, as well as reporting against Code compliance achieved this year.
Stakeholder engagement Increase stakeholder engagement ahead of the next Remuneration Policy, particularly with institutional investors and employees.	Engagement with Group Employee Forum has commenced, with two meetings having been held to discuss personal objectives and overall remuneration approach (the latter including Korn Ferry). Engagement with institutional investors in respect of the revisions to the Remuneration Policy took place during late 2020, with more planned in Q1 2021.	**Stakeholder engagement** Ensure that stakeholder engagement and views are built into Committee reporting more robustly, in particular employee views (linking in to the Employee Forum as applicable).
Reward Gain further oversight into the reward strategy of the wider workforce and review appropriateness.	As part of the work being undertaken by Korn Ferry, reviews are to be undertaken of a number of remuneration issues of Executive Committee / subsidiary director remuneration packages including pensions, bonus objectives and LTIPs. Work is planned to continue on this throughout further areas of the workforce during 2021.	**Wider workforce remuneration** Continue to gain further oversight into the reward strategy of the wider workforce and review appropriateness, seeking to align where appropriate with the approach across the Group and with Senior Management.
Strategy Align Annual Bonus objectives to the Group's strategic objectives.	Personal bonus objectives for 2020 for Executive Directors and members of Executive Committee have identified areas of alignment with the Group's strategic objectives. This will be reviewed and strengthened further for the 2021 targets.	
Strategy Increase the information provided to the Committee behind the individual performance measures for the personal objectives section of the Annual Bonus.	The Committee reviewed and approved the breakdown of measures behind the overall targets for the 2020 personal objective targets for Executive Directors.	

Corporate Governance Report

Composition, success and evaluation

NOMINATION COMMITTEE REPORT

"As a Nomination Committee, we are looking ever more closely at the development of talent within the business, through our next generation within the Leadership Development Programme. I am positive about the impact this has, not only on our understanding of the strength and depth of talent we already have within the Group, but in bringing on a more diverse pipeline of talent for the future."

Peter Mawson
Chairman of the Nomination Committee

Peter Mawson
Chairman of the Nomination Committee
5 5

Jamie Boot
Committee member
5 5

Joanne Lake
Committee member
5 5

James Sykes
Committee member
5 5

Gerald Jennings
Committee member
5 5

Nomination Committee attendance key

☐ Meetings attended ■ Eligible meetings

Review of the year

During 2020 the Committee met five times to consider a wide variety of important issues and initiatives. This included review of the embedding process for Tim Roberts as incoming CEO in 2020, succession planning activities, review of the Board Diversity Policy and its implementation, monitoring of the Senior Leadership Development Programme and launching the Leadership Development Programme, and carrying out a Board Skills Assessment. Details of these can all be found below.

Those serving as members of the Committee for the whole of 2020 were myself, Joanne Lake, Gerald Jennings, Jamie Boot and James Sykes. Within the year there have been no changes to the composition of the Committee.

On behalf of the Board and the Nomination Committee (the Committee), as Chairman of the Committee, I am pleased to present the Directors' Nomination Report for the year ended 31 December 2020.

Henry Boot PLC Board

Nomination Committee

Identifying skills and experience gaps
Read more on page 95

Leading appointments
Read more on page 97

Reviewing effectiveness and effecting change
Read more on page 95

Ensuring succession planning
Read more on page 97

Assessing core skills and commitment
Read more on page 96

Maintaining effective Board and Committee composition

Board skills assessment

In line with the requirements of the Code, the Nomination Committee is asked on an annual basis to review a number of elements relating to the overall effectiveness and composition of the Board and its Committees. One of these elements concerns the skills, knowledge and experience of the Board and its Committees. Accordingly, each member of the Board and respective Committees was asked to complete a self-assessment of their skills, knowledge, experience and understanding of the Henry Boot behaviours.

In addition to corporate governance compliance, the skills assessment ensures appropriate future strategic direction of the Board and its alignment with strategic objectives, as well as its ability to monitor the key and emerging risks facing the Group. It enables the Committee to monitor the ways in which its balance of skills, knowledge and experience are impacted by any changes to the Board, such as the retirement of John Sutcliffe and the appointment of Tim Roberts.

Knowledge and experience

This portion of the assessment focused on areas relevant to the Group, and was altered from the 2019 assessment by the division of the previous category relating to 'Residential' into 'Public' and 'Private'.

Technical skills

In this section of the assessment, the technical skills of the members were reviewed and in 2020 was expanded to include 'Customer Relations', 'Diversity & Inclusion', 'Environment' (split out from Health, Safety and Environment), 'Business Continuity' and 'Crisis Management', to reflect stronger areas of emphasis within the industry.

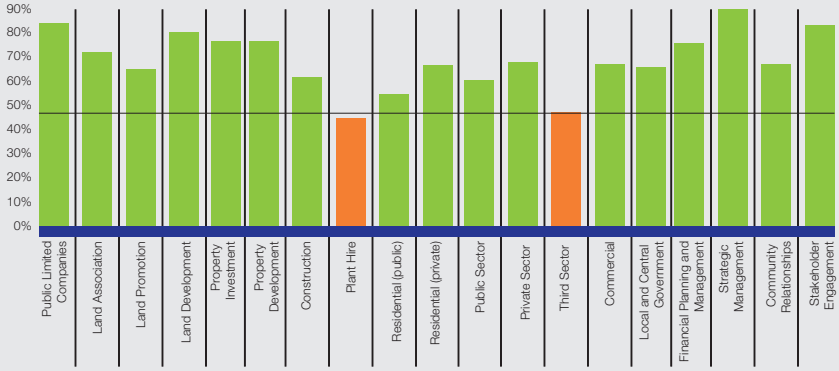
Cultural fit

Focusing on the ways that the Board members contributed to and aligned with the culture of the Group, this portion looks at issues such as 'Custodian of the Henry Boot Ethos and Values', and 'Striving for Performance and Results'. This portion of the assessment was unaltered for 2020 and in all of these matters, the scores of the Board were in the 'Very Strong' category.

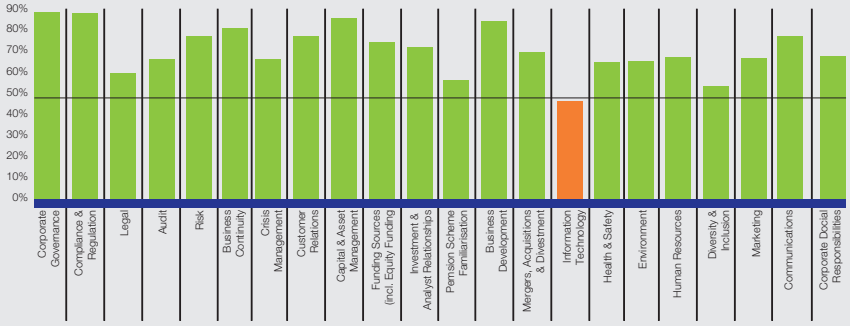
Board skills and assessment matrix (% of Board members)

Each member of the Board was asked to self-assess against each knowledge and experience and technical skills category on each of the matrices that was relevant to them, ranking themselves from 'Very Strong' to 'Limited' as compared to an expert in that field. In any category where the aggregated ranking of the surveyed group was at or below the mid-point of the 'Good' ranking, the Committee then considered the reasons for that assessment and any actions that should be taken to address it (set out in further detail below).

Knowledge and experience



Technical skills



Matrix key

- Exceeded benchmark (> 50% of Board members)
- Below benchmark (> 50% of Board members)

* The data shown represents an average score of all Henry Boot PLC's Board members

Corporate Governance Report

Composition, success and evaluation

Actions arising from the Board skills assessment

As a guide, the Committee considered four potential courses of action that it could consider against those points at or below the mid-point of the 'Good' ranking. These were:

1. **Do nothing**
2. **Buy in expertise (short term, targeted)**
3. **Build expertise from within**
4. **Recruit expertise**

In relation to those areas highlighted as 'amber', the Committee discussed and agreed the following actions:

	Area	Response	Action
Board	IT and cyber (technical skill)	The Committee noted that in a business of this nature, it should not be considered unusual that its Board members would not have expertise in this area. They then considered activities that would give assurance as to the approach being taken by the subject matter experts within the business.	2 **Buy in expertise (short term, targeted)** 3 **Build expertise from within** To be reviewed further by Executive team, particularly in light of additional potential requirements arising out of changes to working practices, to determine a strategy which will bring additional assurance to the Board.
	Plant hire (knowledge and experience)	The members of the Board had undertaken to attend subsidiary Board meetings over the previous few years to build expertise in these areas, and felt that this was supplemented by the other members of the Board (the Chair and Executive Directors) who had a substantial knowledge of these areas.	3 **Build expertise from within** Continue to attend subsidiary Board meetings, and to engage with the subsidiary Managing Directors to provide knowledge and information relevant to Board decisions.
	Third sector (knowledge and experience)	Given that this was an area which was of less commercial relevance to the Group, it was not felt that development of knowledge and experience in this area would be required.	1 **Do nothing** Continue to assess if more knowledge and experience would be required in the longer term.

Overall, the Committee felt that there were no significant areas of concern. The Committee's view was that these matters represented less of an issue as to their ability to challenge practices throughout the Group and felt confident that it could assess and identify areas of challenge. The Committee also felt that it could be an area to focus on in future recruitment, where appropriate.

Succession planning

As has been outlined in previous years, Henry Boot has been providing a Senior Leadership Development Programme (SLDP) through successive cohorts of its senior management. Our investment in learning, development, talent and succession at all levels in the business is pivotal in achieving our key objectives:

- Delivering our purpose which is: "To empower and develop our people"; and ensure that this applies at all levels including our senior teams
- To strengthen our short and medium-term succession planning across the whole business; whilst providing the foundations for longer-term talent planning
- To provide the right level of development support to ensure that we all continue to make the maximum contribution to the wider business

In addition, the Committee initiated during 2020 the next programme which is aimed at our next layer of leaders. The Leadership Development Programme (LDP) has one additional objective:

- To facilitate and foster cross-Group working and learning

Provision of the LDP will lead to further development activities and succession planning outcomes as a result. This important work sets the Group up well to identify its next layers of talent and ensure that they are given the environment in which to thrive. The LDP was intended to take place within five cohorts during 2020 – however, as with many activities, its delivery was disrupted by the CV-19 pandemic. However, during 2021, some rearranged virtual (and hopefully in person) programmes will recommence to deliver this important initiative.

Terms of reference

During 2020, the Committee reviewed its terms of reference in line with the scope of its operations, and the requirements of the Code, to ensure that they remained appropriate. Some minor amendments required to bring the Terms of Reference in line with the suggested model precedent produced by the Chartered Governance Institute were proposed and adopted as part of that review the Terms of Reference were reapproved, and are available on the Company's website.

Diversity policy

The Committee approved a Board Diversity Policy during 2019 which is aligned to the recommendations of the Hampton Alexander Review regarding gender diversity on Boards, and the Parker Review on B.A.M.E. Board representation. Importantly, the Policy addresses the need for the Board to ensure that it is made up of an appropriate mix of skills, experience and knowledge required to effectively oversee and support the management of the Group, which is also addressed as part of its Skills Assessment detailed above. The policy is available to view at www.henryboot.co.uk/our-responsibility

As described on page 59, a substantial focus for the Group in 2021 and beyond is its approach to diversity and inclusion, an area which has significantly progressed during 2020. The Board is keen to promote and contribute towards the delivery of the Group's Equality, Diversity and Inclusion Strategy to be launched in 2021, and is considering the ways in which it can do so, in areas such as:

- **Opportunity within the Group**
  - Succession and development through the SLDP and LDP – promoting transparent succession and development structures within the Group that have the incidental benefit of promoting greater diversity through retention of diverse employees, with the eventual aim of creation of a pipeline of succession towards appointment to senior levels of management and to the Board
  - Total reward strategy across the Group – promoting greater transparency on the outcomes of progression throughout the Group, enabling retention
  - Reverse mentoring – diverse spokespeople throughout the Group engaging with senior managers and the Board to give feedback on issues of importance, perceptions of the approach to diversity and any concerns
- **Education of teams/line managers/stakeholders**
  - Participation in training – to be rolled out throughout the Group and to involve the Board, on issues such as unconscious bias
  - Being champions for the promotion of D&I throughout the Group

The Committee recognises the need for diversity and opportunity within the business to be carried through into the composition of the Board and is committed to seeking to improve Board diversity when appropriate opportunities arise. It is recognised that there will be periods of change on the Board and that the optimum diversity balance may not be achieved for periods of time while the Board is refreshed. However, it is our longer-term intention to achieve this balance. The Board is also looking at other ways in which this may be achieved in the short to medium term.

Some other specific measures that the Board has taken in relation to the achievement of its Diversity Policy are:

- ensuring the inclusion of equality and diversity-related personal objectives for Executive Directors – which can be seen in the Directors' Remuneration Report on page 126; and
- in relation to the refreshed terms of the Remuneration Policy (see page 108), the removal of the strict Non-executive Director shareholding requirement that previously existed, to remove barriers to Board members from more diverse backgrounds.

As with the Group's wider Diversity and Inclusion agenda, this is a long-term approach and will require further development and enhancement over the forthcoming years, which the Committee is very keen to support.

Corporate Governance Report

Composition, success and evaluation

Board effectiveness and time commitment

The Committee discussed the skills, independence, length of tenure and time commitments of all the Directors and reviewed the results of the 2020 Board performance review (see pages 90 to 93 for more information) as well as the Board skills evaluation completed during the year. During this process, we noted that Joanne Lake held directorships in other publicly-listed companies including a chairmanship at Mattioli Woods plc. Joanne's time spent at her other directorships now equates to, on average, 10.5 days a month and therefore the Committee agreed that this leaves sufficient time to carry out her duties as a Director and as Chair of the Audit and Risk Committee. We do not see any indication that these other directorships negatively impact her contribution to the Group and remain wholly satisfied with her performance and input.

Following the review, I can confirm on behalf of the Committee that the performance of the Directors, the Board and its Committees, continues to be effective and that all individuals show commitment to their roles. As in previous years, all Directors will seek re-election at the upcoming AGM, biographies are shown on pages 70 and 71, and a further summary of Board roles and responsibilities can be found on our website at henryboot.co.uk.

Peter Mawson
Chairman of the Nomination Committee

16 April 2021

Corporate Governance Report

Audit, risk and internal control

AUDIT AND RISK COMMITTEE REPORT

"During a period of turbulence it is vital that the Audit and Risk Committee plays its part in helping to weather the difficulties and manage the risks involved, which we have done through these challenging times."

Joanne Lake
Chair of the Audit and Risk Committee

Joanne Lake
Chair of the Audit and Risk Committee
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Peter Mawson
Committee member
7 7

Gerald Jennings
Committee member
7 7

Audit and Risk Committee attendance key

☐ Meetings attended ■ Eligible meetings

Review of the year

On behalf of the Board and the Audit and Risk Committee (the Committee), as Chair of the Committee, I am pleased to present the Directors' Audit and Risk Committee Report for the year ended 31 December 2020.

The Audit and Risk Committee has this year progressed with its internal audit activities, which are outlined below, as well as onboarding and embedding the practices of the new external auditor, Ernst & Young LLP (EY), and reviewing and developing the Group's approach to the assessment and monitoring of risk. Naturally, there were many additional challenges placed on the agenda of the Committee arising out of the CV-19 pandemic, requiring additional engagement with PwC in relation to the audit of the 2019 results, and ensuring sign-off of these for publication. As a result, the Committee met seven times during the year, with its March and August meetings focusing on the approval of the full-year and half-year results (though a further meeting in relation to the full-year 2020 results was required due to ongoing uncertainty created by the pandemic). The other four meetings covered issues such as the internal audit plan and outcomes during 2020, onboarding and embedding arrangements with EY as the new external auditors, and risk review and evaluation.

Those serving as members of the Committee were myself (Committee Chair), Peter Mawson and Gerald Jennings.

Internal audit

Given the size of the Group and extent of the internal audit activities required, the Committee considers that an externally appointed internal auditor is appropriate, a position which is currently held by BDO LLP (BDO). This provides independence to the internal audit activities as well as ensuring that any required areas of specialism and knowledge of audit processes can be provided by the auditor.

Due to pressures brought to bear across the business during 2020, a number of internal audit activities have been deferred to 2021, however the following internal audit exercises were carried out during the year:

Topic	Outline
IT Infrastructure	This review provided independent assurance as to whether appropriate controls are in place to mitigate the key risks over IT Infrastructure and meet the needs of key business stakeholders. Specifically, it reviewed the design and operation of IT infrastructure in place at Henry Boot PLC and Stonebridge Homes, as well as the plans for future Banner Plant infrastructure.
Treasury and Budget Management	The purpose of this review was to ensure that adequate and effective controls are maintained over the processes relating to treasury, cash and budgeting within Henry Boot PLC.
HR and Payroll	Providing assurance as to the adequacy of the framework established within the Group to manage HR processes. The audit also reviewed the HR processes and controls within Stonebridge Homes.
Corporate Governance	This review focussed on ensuring that adequate and effective controls are maintained over the processes relating to the corporate governance arrangements within Henry Boot PLC. The review considered whether the processes in place were appropriate and aligned to good practice principles. More on the outcomes of this can be found in the Compliance Statement on page 105.

The results of this internal audit activity will be considered by the Committee on an ongoing basis including any recommendations and the overall status of the audit result. In 2020, BDO carried out a follow up exercise in relation to the results of the internal audit activities from 2019 and presented a mid-year review to the Committee, to ensure that follow up activities had been carried out.

Internal audit effectiveness review and re-tendering

In order to continue to assess the effectiveness of BDO as internal auditor, the Committee commissioned the carrying out of a further survey on the effectiveness of the internal auditors within the Group in 2020. Upon presentation of the results of this survey, the Committee agreed that the overall feedback on the effectiveness of BDO was positive, particularly with regards to adding value to the business and providing a level of assurance that standards within departments were as expected, with no significant issues being raised.

During 2021 the Committee will tender the role of internal auditor, as BDO's tenure will reach three years during this period (the duration of the initial appointment), and is considered best practice. The tender process to be followed will largely mirror that used to tender for the external auditors during 2019, comprising an invitation to tender process, interview and submission of proposals, evaluation and Committee approval. This will be reported on further in the 2021 Annual Report and Financial Statements.

Embedding of external auditor

EY was formally appointed as external auditor of the Group in June 2020, having demonstrated during the tender process the team's experience of transitioning large listed clients. From appointment, EY has been provided with full access to Group management, has attended Committee meetings, reviewed previous auditor working papers and undertaken work on the Group's half-year results. They have performed transition, planning and interim audit work ahead of the year-end.

External audit effectiveness review

The full review of the effectiveness of the external auditor will be carried out in July 2021, at which point the new external auditor, EY, will have effectively been carrying out its functions for 12 months. The process employed for carrying out this review will be reported in the 2021 Annual Report and Accounts and will form the basis of the Committee's review process going forwards.

Extent to which external auditor challenged management

The external auditor has provided robust challenges around areas of complexity or judgement, including contract, property and inventory valuations, as well as going concern and viability. Their procedures and findings are detailed in their report to this committee.

Independence of the external auditor

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

The Committee is required to approve services provided by the external auditor in excess of £25,000. All other services below this threshold are also monitored to ensure that the performance of regulatory requirements is not impaired by the provision of permissible non-audit services.

EY did not provide any non-audit services to the Group during the year. Details of amounts paid to the auditors for audit services are set out in note 3 to the Financial Statements. KPMG continued to provide the Group's taxation services for the year ended 31 December 2020.

In accordance with best practice, the Company will require its external audit partner to rotate every five years, this being the first year to which this relates. The statutory auditor signing the Audit Report for 2020 is Victoria Venning.

The Committee members meet with the audit partner and other members of the audit team without management present to discuss any potential areas of concern. There are no matters to report in relation to this. The Committee also reviews a letter from the external auditor on an annual basis outlining the measures taken by it to ensure that its independence is not compromised. The Committee review the safeguards and policies in place to maintain a high level of objectivity.

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

Corporate Governance Report

Audit, risk and internal control

Effectiveness of risk management and internal controls

Risk assessment and risk management reporting across the Group has continued to be monitored during the year. Details of the key risks which the Group faces, the key controls in place to manage and mitigate those risks and the enhanced system of risk management adopted by the Company are set out in more detail on pages 48 to 54. The Committee, and ultimately the Board, oversee these processes and review the risk reporting and principal and emerging risks on an ongoing basis.

Significant issues

The Committee considered the following key accounting issues and matters of judgement in relation to the Group's Financial Statements and disclosures. In addition to these disclosures, the Independent Auditor's Report on pages 136 to 143 discusses other key audit matters which were also considered by the Committee.

Focus	Matters considered	Committee outcome
Valuation of investment properties	The investment property portfolio accounts for a large proportion of the Group assets and the assessment is subject to a degree of judgment and assumptions. In line with our accounting policy, completed investment properties are valued at fair value. Other than houses, the portfolio is valued twice a year by external, independent valuers. Assets under construction are valued by management at fair value using the residual method.	The Committee critically reviewed the valuations and any key movements during the year. Having discussed the valuations during the meeting and considered EY's assessment, the Committee was comfortable with the values adopted.
Valuation of housebuilder inventory	Inventories are stated at the lower of cost and net realisable value. Inventories comprise all the direct costs incurred in bringing the individual inventories to their present state at the reporting date, less the value of any impairment losses. Net realisable value of inventories is determined by reference to expected future sales value and costs to complete assumptions which are subject to estimation.	During the year, the Committee critically reviewed the carrying value of housebuilder inventories and judgements in relation to recoverable amounts. Following discussions with EY, the Committee was satisfied that the carrying values are appropriate.
Construction accounting estimates	As explained more fully in our accounting policy on construction contracts, a significant element of turnover is attributable to construction contracts. Contract costs and revenues may be affected by a number of uncertainties that are dependent on the outcome of future events and therefore estimates may need to be revised as events unfold and uncertainties are resolved.	During the year, the Committee examined the judgements and methodologies applied to uncertainties and were in agreement with the position adopted.

Terms of Reference

During 2020, the Committee reviewed its terms of reference in line with the scope of its operations, and the requirements of the Code, to ensure that they remained appropriate. Some minor amendments required to bring the Terms of Reference in line with the suggested model precedent produced by the Chartered Governance Institute were proposed and adopted as part of that review and the Terms of Reference were reapproved, and are available on the Company's website.

Approved by the Board and signed on its behalf by

Joanne Lake
Chair of the Audit and Risk Committee

16 April 2021

Corporate Governance Report

Audit, risk and internal control

Risk management and internal controls

The Board is responsible for determining the nature and extent of the Company's principal risks, and for monitoring any emerging or heightened risks. During the year, the Board agreed the principal risks facing the Company and carried out a robust assessment of these risks. See pages 48 to 54 for more details and the Company's viability statement.

Within its risk assessment matrix, the Board also reviews the Company's internal control arrangements pertaining to each risk, and operates a system which is reviewed regularly for effectiveness. The process is designed to manage, rather than eliminate, the risk of failure to achieve the Company's business objectives as it can only provide reasonable, not absolute, assurance against material misstatement or loss. The Board requires formal risk registers to be produced in a structured format for every subsidiary and PLC department, to be reviewed at least every six months and to be considered at each subsidiary board meeting. The Board is satisfied with the current system in place and can confirm that no material weaknesses have been identified in the year.

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

The business organisation and structured reporting framework

Each of the Company's activities is monitored through bi-monthly management meetings and formal bi-monthly subsidiary company board meetings. The latter are attended by the Board's Executive Directors. Formal lines of responsibility and levels of authority are in place within each subsidiary company. Annual plans, strategic objectives and budgets and performance criteria for each business are set by the Executive Directors and performance against these targets is reviewed regularly by the Board. Annual profit forecasts and 15-month cash flow forecasts are produced on a monthly basis. The Board monitors the risks and associated controls over financial reporting processes, including the consolidation process.

The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. Operations on the ground are also monitored frequently by way of visits to sites, depots, properties and regional offices by the Executive Directors.

Centralised operations

Specific risks and compliance issues associated with Health and Safety, treasury and banking operations, finance, payroll, company secretarial, pensions, legal, human resources and training, public and investor relations, corporate communications, information communication technology, and insurance are managed centrally and report functionally to the appropriate Company officer responsible for that particular operation.

Internal controls

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

Business procurement

All development appraisals, land purchases and options, and construction contracts above a set value, require the authority of the Executive Directors to proceed. A strict routine covering the authorisation of capital expenditure is in place and Board approval is required for any corporate acquisition or disposal.

Day-to-day operations

Responsibility for running the day-to-day operations and for reviewing the associated systems of control is devolved to each subsidiary company Managing Director. Policy and procedure manuals cover certain aspects of operations, such as Health and Safety, with the balance of the operations being governed by procedures set out in contracts and risk assessment and mitigation measures typically set out in project-specific documents such as Board reports and project updates. The subsidiary company Managing Directors review and report to the Audit and Risk Committee on the effectiveness of the systems of internal controls in place and any matters of concern are raised at Board meetings; the Board is satisfied with current arrangements, which will be kept under review.

Whistleblowing arrangements

The Company has a whistleblowing policy in place for all employees of the Group, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors and any breaches of the Company's Ethics, Anti-Bribery and Corruption, HR and Governance policies. Employees are also encouraged to "speak out" via a series of posters.

Governance Policies

Our Governance Policies (including ethics, whistleblowing, competition law, gifts and hospitality, data protection and staff purchases) are continually monitored and reviewed, with the latest refresh being carried out in January 2021 for issue to all Group employees, external suppliers and service providers.

Mandatory online training in relation to a number of areas including data protection, prevention of the facilitation of tax evasion and Competition Act compliance was carried out with all employees during the year, and is scheduled for regular refresh alongside the Group's wider suite of e-learning. All policies reflect and refer to the Group's values, and further training will be delivered on all relevant topics as appropriate.

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

CORPORATE GOVERNANCE STATEMENT 2020

Compliance statement

During 2020 the Board and its Committees have been continuing its work to embed the requirements of the Code and improve wherever possible its operations and governance. The Company has complied with all the principles of the UK Corporate Governance Code 2018 for the year ended 31 December 2020 and the vast majority of the provisions. This is demonstrated throughout this Corporate Governance report, and of particular note are the issues below with references to further detail as applicable. However, as in previous years, there are some instances where the Company has chosen to take advantage of the flexibility offered with the "comply or explain" rule when applying certain provisions.

Given our 135-year history as a family business, and as a FTSE Small Cap company, we have adopted alternative solutions to the Provisions where we believe this is appropriate. The Code recognises that good governance can be achieved by other means and the Board believes the approach we have taken is the most appropriate for the Company and its shareholders whilst remaining consistent with the spirit of the Code.

Provisions 9 and 19

As previously disclosed, the Chairman was not independent on appointment, having served as Group Managing Director and a member of the Board for 30 years. The Board continues to support this appointment based on the extensive knowledge of the Group and industry that Jamie Boot brings to the role and to Board discussions. During the current climate of political and economic uncertainty, Jamie offers a vast amount of experience, having guided the Company successfully through previous such downturns, reducing levels of gearing and bringing about opportunities that the Company is still benefiting from today.

In order to mitigate independence concerns, three independent Non-executive Directors were appointed at the time Jamie became Chairman in 2015. It is this balance of Jamie's experience, mixed with the external perspective of the three independent Non-executive Directors, that helps to provide a level of balance and challenge around the boardroom table. As a family business that has been in operation for over 135 years, the Board remains confident for Jamie to remain on the Board to represent the interests of him and his family members.

Provision 11

The Board considers that there is an appropriate balance of independent and non-independent Directors having regard to the size and nature of the business. At the beginning of 2020 both Tim Roberts and John Sutcliffe were Executive Directors on the Board, as well as Darren Littlewood, during John's handover period to Tim, leading to there being less than half the Board comprising independent Non-executive Directors during that time. However, this was an important aspect of the handover of the role to the Group's new Chief Executive Officer, ensuring a smooth transition and allowing time for Tim to familiarise himself with the Group and its operations, and following this limited period the Board composition returned to a Code compliant one.

The following sections set out some areas of non-compliance that were identified by the Group's internal auditors, BDO, as also referred to in the Audit and Risk Committee Report on pages 101, together with measures identified for addressing them. By highlighting and reporting on these matters, the Report therefore ensures full compliance with the requirements of the Code to 'comply or explain'.

Provision 1

Whilst there is reference to how governance contributes to the development of the strategy, there has previously been no explicit reference to how the governance structure contributes to the achievement of the strategy. This is now addressed in the section 172 statement on pages 46 to 47, detailing the ongoing supervision that the Board will undertake in relation to the achievement of short- and medium-term strategic objectives.

Provision 2

An action was recorded in the 2019 Annual Report and Accounts to support achievement of Principle Two of the Code, to 'provide culture metrics associated with the One Henry Boot project'. These have not been recorded and monitored to date. As we set out on pages 86 to 87 this work commenced with the first Group-wide employee survey in late 2019, with results reported to the Board in early 2020. This has been repeated in early 2021 and will give rise to a base of metrics and KPIs against which culture can be monitored from this year. This will also include work with EY to use their cultural assessment survey tool to monitor ways in which the 'Henry Boot Way' has been embedded and is viewed since its introduction.

Remuneration Policy – Provisions Three, 33, 34, 36, 40 and 41

During 2020 there have been a number of ongoing remuneration actions in place to meet the requirements of the Code, alongside the required update to the Remuneration Policy to be brought to the 2021 AGM. These related to:

- The completion of the Remuneration Policy with remuneration consultants, Korn Ferry, in aligning remuneration to strategy and culture and recording how Executive remuneration has been determined.
- Engagement with shareholders/investors on the updated Remuneration Policy.
- Aligning policies with incentive structures across the Group.
- Reviewing the fees of Non-executive Director's and the share scheme remuneration package to meet the requirements of the Code.

These actions are all in progress and will be completed during 2021 as a result of the work carried out with Korn Ferry and the implementation of the new Remuneration Policy, as reported in the Director's Remuneration Report on pages 106 to 127.

Provision 5

Provision Five of the Code outlines that the Board should make clear how the interests of stakeholders have been considered in decision making. In July 2020 the Board approved the Stakeholder Policy that had been drafted to identify stakeholders to the Group and the level of required engagement. An action to document the stakeholder impact within all decision papers will be in progress during 2021 (as highlighted within the section 172 statement on pages 46 to 47), to document fully that all relevant stakeholders are properly considered in decision making.

Provision 7

Provision Seven of the Code outlines that the Board should 'take action to identify and manage conflicts of interest… and ensure that the influence of third parties does not compromise or override independent judgement'.

Whilst new Directors are required to complete a request for information form on appointment, the request for information form did not specifically ask that the appointee records any perceived conflict of interest, which is the typical approach taken in similar listed organisations.

The Terms of Reference of the Nomination Committee also did not state the requirement to review the independence status of the Board.

As a result, there was a risk that conflicts of interest and threats to independence may not be identified and captured to support the requirements of the Code. These changes to the required processes have now been implemented.

Provision 28

The 2019 Annual Report includes a description of the principal risks to Henry Boot PLC, and an explanation of how these are being managed or mitigated. In relation to emerging risks, the Annual Report notes 'Board reviews all principal risks including consideration of how risk exposures have changed during the period and any emerging risks arising from risk registers'.

However, there is not a direct reference as to how emerging risks are identified and managed and the Terms of Reference for the Audit and Risk Committee does not make reference to how emerging risks are considered.

A clear reference to how emerging risks are identified and managed is now contained within the Risk Management section on pages 48 to 54.

20% vote against – AGM

At the AGM in 2020, no resolution proposed received more than 20% of the vote against it.

Amy Stanbridge
Company Secretary

16 April 2021

Corporate Governance Report

Remuneration

DIRECTORS' REMUNERATION REPORT

"During a trying time for our sector, I am proud of the way we have been able to be responsive and adapt our approach to the changing environment we operate in as a Committee, as well as setting up the Remuneration Policy to steer us in the forthcoming years."

Gerald Jennings
Chairman of the Remuneration Committee

Gerald Jennings
Chairman of the Remuneration Committee
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Joanne Lake
Committee member
6 6

Peter Mawson
Committee member
6 6

Remuneration Committee attendance key

☐ Meetings attended ■ Eligible meetings

On behalf of the Board and the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020.

This report is split into three sections: the Remuneration Committee Chairman's Statement, the Remuneration Policy and the Annual Remuneration Report. Our Remuneration Policy will be put forward for shareholder approval at the 2021 AGM and there will be an advisory vote on this Statement and the Annual Remuneration Report.

Review of the year

During 2020 the Committee met six times to consider a wide variety of important issues and initiatives. Naturally during this period, and as referenced in last year's Annual Report and Accounts, a large portion of our focus was on responding to the issues raised by the CV-19 pandemic.

Also, as we discuss on these pages, a significant proportion of time was spent on preparation of the refreshed Remuneration Policy. Details of these can all be found below.

In summary, the key activities of the Committee during 2020 have included:

- Reviewing, consulting with shareholders on and revising our Remuneration Policy
- Review and consult with shareholders on the operation of the Remuneration Policy for FY21
- Considering the impact of CV-19 on the operation of the Remuneration Policy for executives and all employees
- Considering the outturn of the annual bonus and the LTIP
- Review and approval of salary increases
- Review and approval of bonus awards
- Determining the grants under the LTIP
- Considering and approving the Directors' Remuneration Report

Those serving as members of the Committee for 2020 were myself, Joanne Lake and Peter Mawson. Within the year there have been no changes to the composition of the Committee. Biographies of the current members of the Committee are shown on pages 70 to 71.

During the year, the CEO, GFD, Chairman and other Non-executive Directors attended the meetings with the Committee upon request, in order to assist on matters concerning other senior executives within the Group. No Executive Director or member of management were present during any part of the meeting where their own remuneration was discussed.

Role of the Committee

The primary role of the Committee is to:

- Review, recommend and monitor the level and structure of the remuneration packages of the Executive Directors and senior management;
- Set and approve the remuneration package for the Executive Directors; and
- Determine a balance between base pay and performance-related elements of the remuneration package in an effort to align the interests of stakeholders more widely (including shareholders) with those of the Executive Directors.

Our response to CV-19

The year has been dominated by the impact of the CV-19 pandemic on the business and the Committee has worked hard to ensure that the Remuneration Policy has been applied in a way that is aligned to the experience of the stakeholders in the business.

Recognising the need to conserve cash in the business, the Board voluntarily reduced salaries and fees by 20% from 1 April 2020, for the duration of the most severe impact of the pandemic. Salaries and fees were reinstated in full on 1 October 2020 as business operations recovered to near-normal levels. Following the year end, the decision was taken to repay in full these salary reductions for Executive Directors, to mirror the experience of the wider workforce in having received 100% of salary during the pandemic.

As noted in last year's report, despite excellent profit performance in 2019, the final dividend paid for 2019 was reduced by 50% and the Executive Directors' 2019 bonuses were also reduced by 50%.

For employees, although Henry Boot furloughed staff during the most severe period of CV-19, salaries were topped up to 100%.

The Group has not taken direct Government support under the CCFF or CBILS schemes. We did benefit from furlough money under the Coronavirus Job Retention Schemes. However, having recognised that the Group was in a position to be able to afford to pay this money back, the money taken in relation to Group companies was repaid in early 2021.

While there have been some redundancies, these relate to our pre-CV-19 planning for ongoing efficiency and cost reduction plans, rather than being due explicitly to the impact of CV-19 on our business.

Alongside this, the Board has taken the decision to recommend a dividend of 3.3p for approval at the Company's AGM in May, taking the full year dividend to 5.5p. This represents a 10% uplift from the full year dividend paid in respect of 2019's results, and is an outcome that has been taken into account by the Committee when determining remuneration outcomes for 2020, including, as noted to the side, the 2020 bonus outturn for Executive Directors' being proportionately scaled back.

We have not made any adjustments to the terms or previously granted LTIP awards and believe that with discretion applied to scale back the annual bonus, the policy has operated as intended.

Performance in 2020 and Executive remuneration outcomes

As with many other companies, 2020 represented a turbulent year of trading for the Group, though achievement of a more modest profit before tax demonstrated that the Group's performance remained buoyant, and also sustained the Group's positive cash position in existence at the outset of 2020.

The Committee delayed the setting of the PBT element of the annual bonus targets for FY20 due to the considerable uncertainty caused by the pandemic. Following careful consideration of the business plan stretching targets were set at the half year. These recognised the significant likely reduction in profitability over the year, but were set at a level which required very significant improvement in performance in the second half of the year to deliver the best possible outcome for shareholders for the year as a whole and to ensure that the business would emerge from the crisis in optimum shape.

Based on the strong performance over the second half of the year, the formula-driven outturn against the PBT bonus target would have delivered a bonus at between a target and stretch level of performance. Having reviewed this outcome, the Committee considered that it would be appropriate to scale back the bonus payable (for the second year running) and determined that, on this basis, a bonus should be payable to the Executive Directors. The Committee's thinking in this regard is discussed further below:

- **Treatment of employees during CV-19** – Henry Boot furloughed employees during the most severe period of CV-19, this included a period where our construction sites paused for a limited period of approximately one week whilst appropriate working practices were established. For the most part of 2020, all our construction sites and plant hire depots have remained open and operational. Salaries for all furloughed employees were, however, topped up to 100%. While there have been some redundancies, these relate to our pre-CV-19 planning for ongoing efficiency and cost reduction plans, rather than being due explicitly to the impact of CV-19 on our business.
- **Shareholder experience** – Whilst Henry Boot did pay a reduced final dividend in 2020 for FY19, we are paying a dividend in 2021 for FY20. As a reminder, the Committee used discretion to also halve the bonuses for the FY19 year (for all employees including Executive Directors) in light of the dividend reduction. This was despite FY19 having been the second most profitable year ever, after 2017 and, looking back, we were relatively unusual in scaling back last year's bonus for the dividend reduction (most of our peers did not).
- **Government support** – The Company has not taken direct Government support under the CCFF or CBILS schemes. We did benefit from furlough money under the Coronavirus Job Retention Scheme. However, having recognised that the Company was in a position to be able to afford to pay this money back, this has all now been repaid.

Corporate Governance Report

Remuneration

Considering these factors and wider company performance (and recognising in particular that we scaled back last year's bonus) the Committee considers that a scaled-back bonus payment was an appropriate outcome. A consistent approach has been applied to wider employee bonuses and the Committee believes that this outcome is fair and proportionate, particularly when looked at across both of the last two financial years.

Full details of the approach taken to the bonus payments are set out later in the report.

The 2018 LTIP awards vested subject to EPS growth, ROCE and TSR performance conditions over a three year period to 31 December 2020. As a result of performance over the period the award will vest at 27.81%. No adjustments were made to the performance conditions in the light of CV-19. The Committee were comfortable with the result and believe that the outcome is appropriate. Further details are set out on page 122.

New Remuneration Policy

The current Remuneration Policy was approved by shareholders at the 2018 AGM. The 2021 AGM marks the third anniversary of this shareholder approval and, in line with UK reporting regulations, the Committee is bringing a new Policy to shareholders for approval this year.

The main changes to the Policy are to simplify it where possible and to update it for changes to market best practice, the UK Corporate Governance Code and investor guidelines. The key changes are to:

- increase the shareholding requirement for the GFD from 150% to 200% of base salary and to add post-employment shareholding requirements
- reduce pension contribution for current and future Executive Directors to align to the workforce rate. For the GFD the pension will reduce from 20% of salary to the workforce rate (currently 8%) from 1 January 2022
- add a deferred share element to the annual bonus
- reduce the policy limit in the Long-Term Incentive Plan from 200% to 175% of salary

Our Directors' Remuneration Policy is closely aligned to the achievement of the Company's business objectives and to the long-term interests of our shareholders. A full summary of the changes, and the reasons for these changes, are set out on pages 111 to 112 and the full Policy is set out on page 113 to 115.

The application of Directors' Remuneration Policy for 2021

As part of the Policy review, the Committee considered the total remuneration packages for the Executive Directors with a particular focus on the GFD's package.

Base salary

Following this review the CEO received a salary increase of 1% with effect from 1 January 2021, in line with the average increase for the workforce.

In the case of the GFD despite recent phased salary increases which increased his salary from £150,000 to £250,000, the Committee noted that the total remuneration (including pension, bonus and LTIP) was still below the lower quartile of prudent market benchmarks. Given the Committee's concern regarding attracting and retaining the best candidates, whilst not paying more than necessary, the Committee has determined that there should be one further increase to the salary for the GFD from £250,000 to £300,000 to reflect his experience more accurately, the market rate for his role and his outstanding contribution to the business. Following feedback from the proxy advisory firms we consulted, the Committee has decided to stagger this increase. Accordingly, as a first step we have increased the salary from £250,000 to £275,000 with effect from 1 January 2021 and there will be a further £25,000 increase effective from 1 January 2022, subject to individual and Company performance. Any further increases over the remainder of the Policy period would be in line with the average workforce increase, barring genuinely exceptional circumstances.

Annual bonus

The annual bonus will be operated in line with the new Policy. The Executive Directors will have a maximum annual bonus opportunity of 120% of salary. The annual bonus will be assessed against financial measures (for two thirds) and strategic objectives (for one third). Two thirds of the annual bonus will be paid in cash, one third of the bonus earned will be invested into shares and deferred for three years.

During the year the Committee will review the appropriateness of using Environmental, Social and Governance measures within the bonus plan (and possibly the LTIP). This will be considered in line with the Board's broader thinking in relation to the business strategy, as set out in other parts of this Annual Report.

LTIP award

As a part of the Remuneration Policy, the Committee reviewed the grant levels under the LTIP within the new reduced Policy limit of 175% of salary and has determined that the normal grant level for the CEO should increase from 100% to 125% of base salary. There will be no change to the grant level for the GFD. The proposed LTIP opportunities are designed to drive and reward management for achieving the stretching performance conditions, linked to the long-term strategy. For the FY21 award we have determined that the same mix of EPS, ROCE and TSR measures will be retained with one third weightings for each. Performance targets are appropriately stretching and set out in this report.

Stakeholder consultation

In 2020 and early 2021 the Remuneration Committee consulted with major family and institutional shareholders and proxy advisory firms to seek their views on the proposed Remuneration Policy and implementation. During the consultation, the major shareholders were supportive of our proposed changes to the Remuneration Policy. In relation to the operation of the Policy for FY21, shareholders were also broadly supportive. However, as noted on page 108 we have staggered the salary increase for the GFD following feedback. I would like to thank those consulted for their participation in this consultation process. The Remuneration Committee will continue to monitor developments in corporate governance and market practice to ensure that the Policy and its implementation continues to be in line with best practice and investor guidance. The timeline for our stakeholder consultation was as follows:

AUGUST 2020

Group Employee Forum consultation with Gerald Jennings to discuss the remuneration strategy and Executive Director objectives; Committee reviewed the existing Remuneration Policy and any gaps with market practice

OCTOBER 2020

Group Employee Forum meeting with Gerald Jennings and Korn Ferry dedicated to discussing the Remuneration Policy; Committee discussed the Remuneration Policy framework, and reviewed and agreed the first consultation letter

NOVEMBER 2020

First consultation letter sent out to major family and institutional shareholders and proxy agencies

DECEMBER 2020

Committee reviewed investor feedback and changes were made to the draft Remuneration Policy

JANUARY 2021

Gerald Jennings gave an update to the Group Employee Forum with any changes to the Remuneration Policy and its proposed implementation; Committee reviewed and agreed the second consultation letter

FEBRUARY 2021

Second consultation letter sent out to major family and institutional shareholders and proxy agencies

MARCH 2021

Committee reviewed final investor and employee feedback and approved the Remuneration Policy

Closing remarks

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.

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

Gerald Jennings
Chairman of the Remuneration Committee

16 April 2021

Corporate Governance Report

Remuneration

Remuneration at a glance

Executive Directors' Remuneration Policy
Elements of Executive Directors' pay

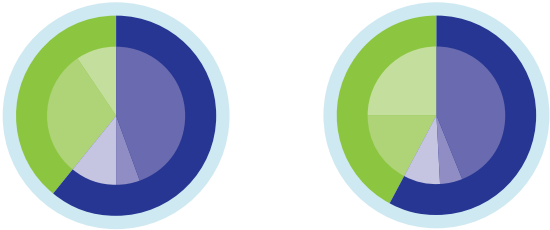
Chief Executive Officer — Tim Roberts (2019: John Sutcliffe)

2020 2019

	2020 %	2019 %
Fixed:	**64**	54
Base salary	**85**	78
Taxable benefits	**8**	7
Pension-related benefits	**7**	16
Performance-linked:	**36**	46
Annual bonus	**100**	35
Long-term incentive plan	**—**	65

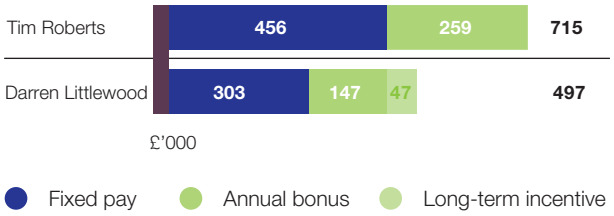
Group Finance Director — Darren Littlewood

2020 2019



	2020 %	2019 %
Fixed:	**61**	58
Base salary	**73**	76
Taxable benefits	**9**	9
Pension-related benefits	**18**	15
Performance-linked:	**39**	42
Annual bonus	**76**	41
Long-term incentive plan	**24**	59

Single total figure of remuneration for Executive Directors for year ended 31 December 2020



Key performance indicators (KPIs) performance for year ended 31 December 2020

Annual bonus

Profit before tax

£17.1m

Key

- ✓ At or above stretch target
- — Between threshold and stretch target
- ✗ Below threshold target

LTIP 3 year performance

Earnings per share	Total shareholder returns	Return on capital employed
✗ **(76)%**	✗ **(12)%**	✓ **12%**

REMUNERATION POLICY

This section of the report sets out the Company's policy on the remuneration of Directors which will be put to a binding shareholder vote at the 2021 AGM. Subject to shareholder approval, the Policy will take effect from the date of the 2021 AGM and is intended to apply for three years.

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, aligned to our vision and strategic objectives, that encourage enhanced performance without excessive risk.

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

The Policy has been tested against the six factors listed in Provision 40 of the UK Corporate Governance Code:

- **Clarity** – the Committee has made alterations to the Remuneration Policy to make it clearer, including a simplified annual bonus structure. The elements of the Remuneration Policy were described clearly to investors during the consultation process, to the workforce during the engagement with the Group Employee Forum and are set out in this report.
- **Simplicity** – remuneration structures have been simplified. All structures are as simple as possible whilst providing a strong link between reward and performance and avoiding reward for failure
- **Risk** – the Remuneration Policy has been designed to discourage inappropriate risk taking including a balance between short-term and long-term elements, as well as bonus deferral, recovery and withholding provisions, in addition to in-employment and post-cessation shareholding requirements. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.
- **Predictability** – elements of the Policy are subject to caps and dilution limits. An illustration of pay levels for different levels of performance are shown in the scenario charts in the notes to the Policy table. The Committee has the discretion to adjust the formulaic outcomes of the incentive arrangements if the outcome is considered inappropriate.
- **Proportionality** – There is a broadly equal balance between fixed pay and incentives and there is also a broadly equal balance between short-term and long-term incentives, reflecting the importance of both short-term and long-term performance.
- **Alignment to culture** – Henry Boot's distinctive company culture has been taken into consideration with the incentivisation of the Executive Directors to continue to develop the Group with our people at the forefront of our strategies, whilst formulating a Policy to drive sustainable long term growth.

Changes to the Directors' Remuneration Policy

The following changes have been made to the Remuneration Policy.

Base Salary

The salary cap which stated that salaries would be no higher than the median rate of the upper quartile of the FTSE Small Cap, has been removed to simplify the Policy and because this limit is significantly higher than any salaries that we intend to pay during the Policy period.

Pension

Pension rates for Executives will be aligned with the wider workforce. Any new Executive Director appointed will have a pension rate in line with the wider workforce, currently 8% of salary. This represents the amount that most employees are able to contribute to the pension and that it is equitable for the Executive Directors to participate. The current pension rate for the CEO is 8% of salary. The GFD's pension contribution will be retained at the current 20% of salary rate until 31 December 2021 and then reduce to the workforce rate. This reduction will take place a year earlier than the recommended date in the Investment Association guidance.

Annual Bonus

In line with market best practice, we are introducing compulsory bonus deferral, one third of the bonus earned will be invested into shares and deferred for three years. In addition, a formal discretionary override has been introduced into the Policy and recovery and withholding provisions have been broadened to include reputational damage and corporate failure. To simplify the bonus scheme, the reference to an "exceptional maximum bonus" opportunity (120% of salary) has been removed and, instead, is now described as the "maximum" which is what, in reality, the exceptional maximum has always been (i.e. it has been the point at the top of the performance range at which the maximum bonus has been payable which has in the past, and will continue to be in the future, reflective of exceptional performance).

The pay-out schedule is now based on a sliding scale between threshold and maximum, in line with general market practice.

The specific split between financial and non-financial measures (80:20) has been removed to allow for greater flexibility. The majority of the bonus will continue to be based on financial measures. We would like some flexibility in the Policy to have a slightly higher weighting on non-financial strategic and in due course ESG measures, and so propose that the Policy should state simply that a majority of the bonus should be based on financial measures.

Corporate Governance Report

Remuneration

Long-Term Incentive Plan (LTIP)

The maximum limit has been reduced from 200% of salary to 175% of salary.

The previous Policy stated that the performance measures for the LTIP would include EPS, ROCE and TSR with the weightings for any measure not exceeding 50%. We have removed the stipulation of which particular measures should be used and instead stated that these will be linked to the business strategy, albeit at this stage there is no intention to move away from this mix of measures.

To strengthen the alignment of interest between shareholders and executives, to the extent awards vest the value of dividends payable over the vesting period will be added, usually in the form of an additional award of shares.

As per the annual bonus, the recovery and withholding provisions have been broadened and the discretion to adjust the formulaic outcome has been formally introduced.

Shareholding Requirements

In line with market best practice, we have increased the shareholding requirement for the GFD from 150% to 200% of salary so that both Executives must build up a shareholding equivalent to 200% of salary.

A post-cessation shareholding requirement has been introduced. Any Executive Director leaving the Company will be required to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary for a period of two years. Market purchased shares by the individual will be excluded from this requirement and the requirement will only apply to LTIP awards made after the May 2021 AGM.

Recruitment and leaver treatment

The Policy regarding buyout awards and payments for loss of office have been updated to reflect latest market practice.

Performance conditions will be applied on a like-for-like basis on any buyout awards and awards will resemble forfeited arrangements as far as is practicable.

Leavers will no longer be able to receive lump sum payments if a contract is terminated. Payments for loss of office will be phased over the notice period and subject to mitigation and offset against earnings elsewhere.

Non-executive Directors

We are committed to a culture that promotes equality and diversity. As a result, the requirement for Non-executive Directors to build up a shareholding to the value of 50% of the base fee, has been removed from the Policy to ensure that no potential Non-executive Director candidates are unable to take the role due to this requirement. However, we will continue to encourage Non-executive Directors' to build up a meaningful shareholding in Henry Boot where possible.

POLICY TABLE

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures
Salary	Core element of the Executive Directors' fixed remuneration reflecting the role, experience and set in part by reference to comparable companies in the FTSE and appropriate relativities within the broader executive team.	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 profitability and prevailing market conditions.	Salary increases will normally be in line with the workforce average. The Committee will consider any increase above this level very carefully in the following circumstances, for example: i. relevant commercial factors; ii. increasing scope and responsibility; iii. promotional increases; and iv. falling below market positioning.	None.
Benefits	These are provided on a market competitive basis to assist in recruiting and retaining Executive Directors.	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 cost of providing benefits is borne by the Company and varies from time to time.	Set by reference to normal market practice.	None.
Pension	To provide a contribution towards retirement income.	Executive Directors are eligible for membership of the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution pension scheme) or a cash supplement in lieu of this. The Henry Boot Staff Pension & Life Assurance Scheme (defined benefit pension scheme) is closed to new members, however internal promotees to an Executive Director will retain any existing membership.	The current CEO and any new Executive Director will receive a pension contribution in line with the rate applying to the majority of the workforce, currently 8% of salary. The current GFD will receive a pension contribution of 20% of basic salary, which will continue until 31 December 2021 and then this will reduce to be in line with the contribution rate for the majority of employees.	None.

Corporate Governance Report

Remuneration

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures
Annual bonus	To incentivise the delivery of financial performance, operational targets and individual objectives over the financial year.	Targets are reviewed annually and any payment is determined by the Committee after the year end based on targets set for the financial year. Two thirds of the annual bonus will be paid in cash, one third of the bonus earned will be invested into shares and deferred for three years (during which time the shares cannot be sold). Malus and clawback provisions apply.	The maximum bonus opportunity is 120% of salary.	The majority of the bonus will be based on financial metrics. No more than 10% of the maximum bonus opportunity will payout for threshold performance and no more than 50% for target performance. Payout between threshold, target and maximum will be calculated on a straight-line basis. The Remuneration Committee has the discretion to adjust the formulaic outcome of the bonus if they believe the outcome does not accurately reflect business performance.
Long-Term Incentive Plan	The Long-Term Incentive Plan provides 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 the business strategy and shareholders' interests.	Conditional share awards are granted annually to Executive Directors. Awards vest after the third anniversary of grant subject to performance conditions and continued service. To the extent awards vest, the value of dividends payable over the vesting period will be added, usually in the form of an additional award of shares. After awards vest, subject to selling sufficient shares to pay tax, shares must be held for a further two years. Malus and clawback conditions apply.	Up to a maximum of 175% of salary in any year. Award levels would not be increased above 125% of salary in the case of the CEO and 100% of salary in the case of the GFD without first consulting with our major shareholders.	Performance conditions and targets will be set each year linked to business KPIs in line with the strategy, or a measure of total shareholder return. The Remuneration Committee has the discretion to adjust the formulaic outcome of the bonus if they believe the outcome does not accurately reflect business performance. No more than 25% of the award will vest for threshold performance.

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures
Shareholding guidelines	Direct share ownership by Executive Directors aligns their long-term interests to those of shareholders.	During employment Executive Directors are required to build and maintain a shareholding equivalent to 200% of base salary. Executive Directors are expected to retain at least 50% of any LTIP awards or deferred bonus awards until holdings reach the required level. **Post-cessation of employment** Any Executive Director leaving the Company will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary, for a period of at least two years. Market purchased shares purchased by the individual will be excluded from this requirement and the requirement only applies to awards made after the May 2021 AGM.	Not applicable.	None.
Non-executive Director fees	Fee levels are set in order 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 (minus the Non-executive Directors). 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. Additional fees may be paid for chairing committees or taking additional roles such as the Senior Independent Director or Director responsible for the Employee Voice. Non-executive Directors are encouraged, but not required, to build up a shareholding in Henry Boot.	None.

Notes to the Policy table

Explanation of the performance measures chosen

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.

Malus and clawback

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

Statement of consideration of employment conditions elsewhere in the Group

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. Where possible, the Group operates the same core remuneration principles for employees as it does for Executive Directors.

Corporate Governance Report

Remuneration

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 beyond the Executive Directors at the discretion of the Board. In line with the Non-executive Directors, share ownership amongst the wider workforce 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 and CSOP Scheme to all eligible employees.

Employee engagement

Employee engagement on remuneration matters by the Committee is conducted through the Group Employee Forum (GEF). The GEF consists of employees from across the businesses and provides an opportunity for employees to voice their views and raise concerns. The GEF is attended by the designated Non-executive Director and Remuneration Committee Chair, Gerald Jennings, who acts as a conduit between the Board and the workforce, and ensures a two-way dialogue. During the Remuneration Policy consultation, two meetings were held with the GEF to discuss the overall remuneration approach and the Executive Directors' objectives, the latter meeting included our advisors, Korn Ferry, which the GEF members welcomed both in terms of understanding the background to the remuneration decisions and the potential outcomes, alongside strategic rationale. In addition, every December, the Head of HR presents a report to the Committee 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. Information from both the GEF and the Head of HR report is considered when setting and implementing the Directors' Remuneration Policy. You can read more about the work of the GEF on page 86.

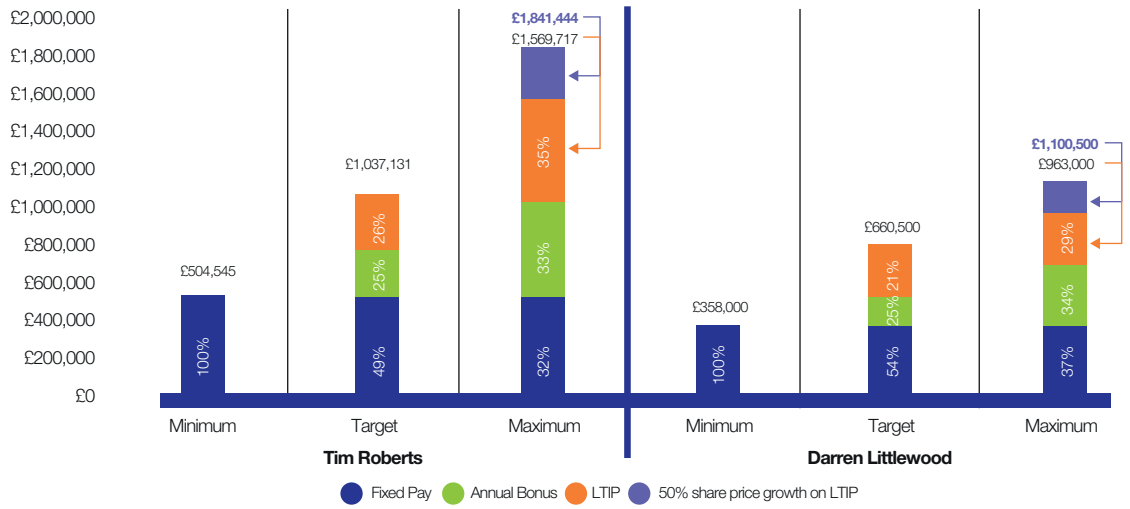
Consideration of Shareholder Views.

In 2020, the Remuneration Committee consulted with major family and institutional shareholders and proxy advisers to seek their views on the proposed Remuneration Policy and implementation. During the consultation, the major shareholders were supportive of our proposed changes to the Remuneration Policy and so we have proceeded with the planned changes. In relation to the operation of the Policy for FY21, shareholders were also broadly supportive. However, as noted in the Chairman's Statement, following shareholder feedback we staggered the salary increase for the GFD over two years. The Committee is thankful for shareholders' participation in this consultation process. The Remuneration Committee will continue to monitor developments in corporate governance and market practice to ensure that the Policy and its implementation continues to be in line with best practice.

Illustration of the application of the Remuneration Policy

The graph shows total remuneration under the new Policy, illustrating the minimum pay (fixed pay), on-target pay and maximum pay (assumptions are set out in the table below).

Minimum	Fixed pay comprised of base pay as of 1 January 2021, benefits paid in FY20, and pension contributions in FY21.
Target	Fixed pay and 50% of maximum bonus and LTIP opportunity.
Maximum	Fixed pay and maximum payout under the bonus and LTIP. This scenario also includes an additional element illustrating the impact of 50% share price growth on the LTIP.



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 fee but no other benefits.

Remuneration element	Policy on recruitment
Base salary	The Committee will typically offer a salary in line with the Policy 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.
Bonus	The Committee will offer the ability to earn a bonus in line with the Policy (maximum 120% of base salary). Bonus opportunities will be pro-rated for new employees that join during the year.
LTIPs	The Committee will offer LTIPs in line with the Policy in the year of joining.
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 and will resemble the arrangements forfeited as far as applicable and performance conditions will apply on a like-for-like basis.
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 an appointee is accruing benefits in the Henry Boot Staff Pension and Life Assurance Scheme these will continue as before.

Payment for the loss of office policy

The table below sets out the policy on exit payments. Treatment of different elements under the Policy may vary depending on whether the Executive is classified as a "good" or a "bad" leaver. "Good leaver" status occurs upon the cessation of employment for a compassionate reason, such as death in service; ill health; injury; disability; retirement; redundancy or for any other reason determined by the Committee.

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

Remuneration element	
Base salary/fees and benefits	Base salary/fees and benefits will be paid over the notice period subject to mitigation. Compensation will be phased over the notice period. If the Executive finds a new role prior to the end of the notice period, payments will be offset against earnings from the new role.
Pension/salary in lieu of pension	Pension contributions and any payments in lieu of pension will be provided over the notice period.
Bonus	For a good leaver, any bonus payment would be at the discretion of the Committee and would be pro-rated to the time employed in the year that employment ceases. Any payment would be paid at the same time as other Directors, subject to the original performance criteria deferral and malus and clawback.
LTIP Awards	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 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 award holders. The Committee retains discretion to allow vesting at the time of cessation of employment on a prorated basis. Good leavers will be subject to the clauses in the LTIP Scheme related to holding periods, malus and clawback. In the event of a change of control, Directors affected will be treated in accordance with the rules of the LTIP Scheme. Any early vesting as a consequence of a change of control would be based on the Committee's assessment of the performance conditions and would take into account the vesting period that has elapsed at the time of the change of control.

Corporate Governance Report

Remuneration

Service contracts

Tim Roberts and Darren Littlewood each have a one-year rolling service agreement in accordance with our policy on Directors' contracts.

Termination of these arrangements would therefore be subject to their contractual terms and conditions that require a notice period of one year from either party. Contractual compensation in the event of early termination provides for compensation of basic salary, pension and benefits for the notice period, which would be payable on a phased monthly basis.

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, subject to a maximum of three terms totalling nine years; however, they may be terminated without compensation at any time.

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 permitted to accept one external appointment with the approval of the Board. Any remuneration earned from such appointments is retained by the Executive.

ANNUAL REPORT ON REMUNERATION

The following section provides details of how Henry Boot's Remuneration Policy was implemented during the financial year. The labelled parts of the Directors' Remuneration Report are subject to audit.

The Remuneration Committee

The role of the Remuneration Committee as well as members, meetings and key activities during the year are set out on page 106-107

External Advisers

During 2020, the Committee agreed that it was appropriate to carry out a formal tender process in relation to its advisers, and following a robust process, the Committee appointed Korn Ferry as its advisers with effect from 11 June 2020.

During the year the Committee received independent advice on Directors' remuneration from Korn Ferry. The company is a member of the Remuneration Consultants Group and adheres to its Code of Conduct which requires its advice to be objective and impartial.

The fees paid to Korn Ferry for providing advice to the Committee in relation to Directors' remuneration was £38,549. Korn Ferry had no other connection to the Company. The Committee is satisfied that the advice it received is objective and independent.

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 30 June 2020 the resolution put to shareholders on an advisory basis to receive and approve the 2019 Directors' Remuneration Report was passed. The number of votes in favour of that resolution was 91,440,756 (94.07% of votes cast), against 5,762,073 (5.93% of votes cast), and withheld 31,839.

The total number of votes cast in respect of this resolution represented 72.98% of the issued share capital.

The current Remuneration Policy was approved at the AGM on 24 May 2018. The number of votes in favour of that resolution was 79,610,196 (87.38% of votes cast), against 11,493,781 (12.62% of votes cast), and withheld 1,395,563.

Single total figure of remuneration (Audited)

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

Year ended 31 December 2020	Salary and fees £'000[1,2]	Taxable benefits £'000	Pension-related benefits £'000	Total fixed £'000	Annual bonus £'000	Long-term incentives[5] £'000	Total Variable £'000	Total Remuneration £'000
Tim Roberts[3]	387	35	34	456	259	–	259	715
John Sutcliffe[4]	151	15	33	199	–	65	65	264
Darren Littlewood	221	28	54	303	147	47	194	497
Jamie Boot	81	1	–	82	–	–	–	82
James Sykes	43	–	–	43	–	–	–	43
Joanne Lake	43	–	–	43	–	–	–	43
Gerald Jennings	43	–	–	43	–	–	–	43
Peter Mawson	43	–	–	43	–	–	–	43
	1,012	79	121	1,212	406	112	518	1,730

Year ended 31 December 2019	Salary and fees £'000	Taxable benefits £'000	Pension-related benefits £'000	Total fixed £'000	Annual bonus £'000	Long-term incentives[6] £'000	Total Variable £'000	Total Remuneration £'000
John Sutcliffe	395	34	79	508	153	251	404	912
Darren Littlewood	225	27	45	297	89	113	202	499
Jamie Boot	88	–	–	–	–	–	–	88
James Sykes	46	–	–	–	–	–	–	46
Joanne Lake	46	–	–	–	–	–	–	46
Gerald Jennings	46	–	–	–	–	–	–	46
Peter Mawson	46	–	–	–	–	–	–	46
	892	61	124	805	242	364	606	1,683

1. The Board voluntarily reduced salaries by 20% from 1 April 2020, for the duration of the most severe impact of the pandemic. Salaries and fees were reinstated in full on 1 October 2020. For Executive Directors, the total salary waived was £43,045.98 for the CEO and £25,000.00 for the GFD. These salary reductions for Tim Roberts and Darren Littlewood were repaid, to mirror the experience of the wider workforce In having received 100% of salary whilst furloughed, after the year end.
2. The Chairman's fee and the Non-executive Director's fees were reduced by 20%. The fee reductions were not reinstated.
3. Tim Roberts was appointed to the Board as CEO on 1 January 2020.
4. John Sutcliffe stepped down from the CEO role on 31 December 2019. He remained on the Board in an advisory role until 31 May 2020 when he stepped down from the Board.
5. The value of long-term incentives has been calculated based on the average share price for the period 1 October to 31 December 2020 of £2.53. No part of the award is currently attributable to share price appreciation. No discretion was applied due to share price.
6. The value of long-term incentives has been adjusted from the average share price for the period 1 October 2019 to 31 December 2019 of £2.68, to the price on the day of vesting of £2.35. No part of the award is currently attributable to share price appreciation. No discretion was applied due to share price.

Corporate Governance Report

Remuneration

Taxable benefits include the provision of a company car or a cash allowance alternative, permanent health insurance and private medical insurance. The value of benefits is not pensionable.

The information in the single total figure of remuneration in the table on page 119 is derived from the following:

Salary or fees	The amount of salary or fees received in the year (excluding the amount waived in relation to the CV-19 pandemic).
Taxable benefits	The taxable benefits received in the year by Executive Directors.
Annual bonus	The value of bonus payable and the calculations underlying this are disclosed on pages 120 and 121.
Long-term incentives	The value of LTIPs are those related to shares that vested as a result of the performance over the three-year period ended 31 December of the reporting year.
Pension-related benefits	Pension-related benefits represent the cash value of pension contributions or salary in lieu of contributions received by Executive Directors at a rate of 8% salary for Tim Roberts and 20% of salary for Darren Littlewood and John Sutcliffe until his resignation from the Board.

Individual elements of remuneration

2020 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. John Sutcliffe was not eligible to receive a bonus for 2020.

	Profit Before Tax			
	Threshold	**Target**	**Maximum**	**Actual achieved**
Profit (£m)	£12.0m	£13.3m	£20.0m	£17.1m
% of salary payable under bonus (out of 80% of salary)	10%	40%	80%	65.5%

The Remuneration Committee also evaluated the performance of the Executive Directors against the 2020 personal objectives, noting the progress that had been made against the difficult backdrop of the CV-19 pandemic, and also that certain objectives would be required to continue into future years given their status as longer-term outcomes. In that context, the proportion of objectives achieved was assessed as follows:

2020 personal objectives – Tim Roberts

Objective	Details	Performance against objective	Score
1	Reviewing and develop Group strategy, identifying and implementing strategic smart objectives taking account of risk.	New five-year business plan signed off by Board following in-depth strategic review	15/16
2	Communicating the Group's purpose, vision and values both internally and externally.	Good communication throughout the business during pandemic Greatly improved external coverage	3/4
3	To develop and refine succession plans whilst progressing the identification and development of successors.	New ExCo formed with better diversity Succession plans completed and good progress with new hires	4/4
4	Lead good health and safety practices around the Group to avoid any major health and safety incidents.	Group adjusted very well to CV-19 risks Full H&S review completed, KPIs agreed and actions identified	3/4
5	Attract new shareholders to the register, achieving positive feedback from meetings with existing shareholders and analysts by clear key messaging and Investor Relations (IR) Policy.	Positive feedback from brokers/PR on shareholder views Further work needed to develop IR approach	2/4
6	Develop Environment Social and Governance (ESG) Policy, and support legal and regulatory compliance and initiatives around the Group meeting related deadlines.	ESG specialist appointed to the senior team D&I policy initiated Board ESG policy to be presented to the Board in Summer 2021 after significant work in 2020	4/4
7	Develop the Diversity and Inclusion (D&I) Policy, promoting diversity, and reducing the gender pay gap.	Good progress made on broader D&I agenda but further work needed on a more diversified talent pipeline	2/4
Total (out of max 40%)			33%

2020 personal objectives – Darren Littlewood

Objective	Details	Performance against objective	Score
1	Reviewing and develop Group strategy, identifying and implementing key strategic smart objectives for the Group.	New five-year business plan signed off by Board following in-depth strategic review	11/12
2	Inform and develop strategy for each subsidiary, including key strategic smart objectives for Starfish and overseeing the integration of that business into HBC.	Full strategy review for each subsidiary completed and presented to the Board Determined that the Starfish venture should be liquidated	3/4
3	Developing strategic influence within the business and profile within the wider industry.	Strong relationships created with ExCo members Chaired the CV-19 Committee and led the ExCo group Good external networks with active membership of the CBI, and local chambers of commerce	3/4
4	Redeployment of working capital into key business activities with a focus on risk weighted returns.	Review completed for borrowing limits of subsidiary companies Full review of risk completed in each subsidiary and presented to Audit and Risk Committee	4/4
5	Developing the Finance/IT/Communication team's profile and skillsets, developing their integration across the Group.	Have significantly raised profile of the support functions across the Group	2/4
6	Management and development of financial reporting within each business, to the Board and to the investor community.	New financial reporting systems incorporated within the subsidiaries Better reporting of Strategic KPIs One significant new investor added	2.5/4
7	Undertake a review of internal audit following the 3-year BDO programme and successful transitioning of the external audit from PWC to EY.	Thorough review of internal audit process completed New auditor bedded in	2.5/4
8	Improve remuneration reporting requirements with clearer links to the objectives and priorities of the Group.	Improved Directors' Remuneration report in line with Code and all relevant Reporting Requirements	3/4
Total (out of max 40%)			31%

The Remuneration Committee considers that Tim Roberts achieved 33% out of a maximum 40% of these targets, resulting in a bonus of 33% of salary for the personal element and that Darren Littlewood achieved 31% out of a maximum 40%, resulting in a bonus of 31% of salary.

As detailed in the Chairman's letter, the Committee exercised discretion to scale back the formulaic bonus payable.

The table below sets out the calculation for the bonus payable based on the formula and then the bonus payable after the Committee used discretion to reduce this amount.

The level of the scale-back was derived from a halving of the bonus (consistent with the approach last year) and then increasing this amount by 22%, which was the level of the percentage increase under the Group-wide profit share scheme for FY20.

Executive Director	Formulaic payout under profit element (max 80% of salary)	Payout under personal element (max 40% of salary)	Total formulaic payout of bonus (max 120% of salary)	Total payout before Committee discretion (£)	Total payout following Committee discretion
Tim Roberts	65.5%	33%	98.5%	£424,003	£258,641.83
Darren Littlewood	65.5%	31%	96.5%	£241,250	£147,162.50

Corporate Governance Report

Remuneration

Long-Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2018, based on performance for the years 2018, 2019 and 2020. The LTIP shares in this award were subject to the performance criteria set out in the table below. Based on performance, the award will only pay out under the ROCE element.

Performance condition	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual performance	Payout of element (max out of 33.3%/33.4%)
EPS growth	33.3%	RPI+3% p.a.	RPI+7% p.a.	-76%	0%
ROCE	33.3%	10%	13%	12.34%	27.81%
TSR[1]	33.4%	Median TSR: -4%	Upper quartile TSR: 10%	Below median TSR: -12%	0%
Total vesting (out of 100%)					27.81%

1. The TSR comparator group was comprised of the FTSE Small Companies Index.

LTIP awards granted in the year (Audited)

LTIP awards were granted during the year to Tim Roberts and Darren Littlewood on 22 June 2020. The Committee considered the level of the share price at the date of grant and determined that the award level should proceed at the usual 100% of salary level. However, in the event that there are windfall gains, or where payouts are not commensurate with performance, the Committee would use discretion to scale back awards on vesting:

	Type of award	% of salary	Number of shares	Face value of grant at £2.56 per share	% of award vesting at threshold
Tim Roberts	LTIP – nil cost options	100%	168,039	£430,179.84	25%
Darren Littlewood	LTIP – nil cost options	100%	97,592	£249,835.52	25%

The awards are subject to the following performance conditions which will be measured over the three-year period ending 31 December 2022:

	% linked to award	Threshold (25% of max)	Maximum (100% of max)
EPS growth	33.3	RPI + 3% per annum	RPI + 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 constituent companies of the FTSE Small Companies Index	TSR at or above the upper quartile

Pension entitlement

Tim Roberts receives a salary supplement in lieu of pension contribution equivalent to 8% of salary, in line with the workforce rate.

Darren Littlewood is a deferred member of The Henry Boot Staff Pension and Life Assurance Scheme (Defined Benefit) from 31 March 2019. His normal retirement date within the Scheme would be in 2042, aged 67. The annual allowance for tax relief on pension savings applicable to Darren Littlewood in 2020 was £4,000. He elected to receive a salary supplement in lieu of the employer contributions which amounted to £50,000 following which he chose to contribute £4,000 into the Henry Boot PLC Group Stakeholder Pension Plan through a salary sacrifice arrangement. Darren Littlewood's pension contribution will be retained at the current 20% of salary rate until 31 December 2021 and then reduce to the workforce rate. This reduction will take place a year earlier than the recommended date in the Investment Association guidance.

John Sutcliffe is a deferred member of the Henry Boot PLC Group Stakeholder Pension Plan. Contributions are made at 20% of salary and contributions to the Plan in the year were £nil (2019: £nil). The annual allowance for tax relief on pension savings applicable to John Sutcliffe in 2020 was £nil and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £32,916.70 (2019: £79,000).

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

Payments to past Directors

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

Payments made for loss of office

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

Statement of Directors' shareholdings and share interests (Audited)

The following table sets out the shareholdings and share interests of the Directors and connected persons in the Company as at 31 December 2020. The Executive Directors are subject to a shareholding requirement of 200% of salary under the new Policy which is subject to shareholder approval at the 2021 AGM.

	Number of ordinary shares held	**LTIPs subject to performance measures**	**Total**	**Number of ordinary shares as a % of salary or fees**[1]	**Total share interests as a % of salary or fees**
Jamie Boot[2]	5,665,002	—	5,665,002	15,861%	15,861%
Tim Roberts	170,067	168,039	338,106	100%	198%
John Sutcliffe[3]	816,565	277,544	1,094,109	n/a	n/a
Darren Littlewood	186,507	248,161	434,668	173%	403%
James Sykes	20,000	—	20,000	106%	106%
Joanne Lake	10,710	—	10,710	57%	57%
Gerald Jennings	19,900	—	19,900	105%	105%
Peter Mawson	13,200	—	13,200	70%	70%

The share price at 31 December 2020 was 255p. The salary used for this calculation is that which commences on 1 January 2021.

1. Details of Director shareholding requirements can be found in the 2018 Remuneration Policy, which can be viewed on the website: henryboot.co.uk.
2. Jamie Boot also holds 14,753 preference shares.
3. John Sutcliffe's shareholdings are shown as at the date he stepped down from the Board on 31 May 2020. LTIP amounts for John Sutcliffe shown have not yet been pro-rated to take in to account his leaver date.

Between 31 December 2020 and 31 March 2021, being a date not more than one month prior to the date of the Notice of the AGM, there were no changes in the beneficial interests of any of the current Directors.

	Plan	Date of grant	Market price at date of grant	At 1 January 2020	Grant during the year	Exercised during the year	Lapsed during the year	**At 31 December 2020**	Actual exercise date /earliest vesting date	Market Valuation on exercise £
Tim Roberts	LTIP	22/06/2020	256.17p	–	168,039	–	–	**168,039**	22/06/2023	–
				–	168,039	–	–	**168,039**		–
John Sutcliffe	LTIP	24/04/2017	241.2p	160,665	—	107,002	53,663	**–**	24/04/2020	251,455
	LTIP	25/04/2018	294.3p	132,502	—	—	—	**132,502**	25/04/2021	—
	LTIP	30/04/2019	272.3p	145,042	—	—	—	**145,042**	30/04/2022	—
				438,209	—	107,002	53,663	**277,544**		251,455
Darren Littlewood	LTIP	24/04/2017	241.2p	72,554	—	48,320	24,234	**–**	24/04/2020	113,552
	LTIP	25/04/2018	294.3p	67,950	—	—	—	**67,950**	25/04/2021	—
	LTIP	30/04/2019	272.3p	82,619	—	—	—	**82,619**	30/04/2022	—
	LTIP	22/06/2020	256.17p	–	97,592	—	—	**97,592**	22/06/2023	—
				223,123	97,592	48,320	24,234	**248,161**		113,552

Sharesave plan

	Plan	At 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	**At 31 December 2020**	Exercise price	Date from which exercisable	Expiry date
Tim Roberts	2010	—	7,594	—	—	**7,594**	237p	01/12/2023	01/06/2024

Share price

The middle market price for the Company's shares at 31 December 2020 was 255p and the range of prices during the year was 185p to 342p.

Corporate Governance Report

Remuneration

Ten-year TSR performance graph

The chart below shows the TSR for the Company compared to the FTSE Small Cap Index over ten years. The FTSE Small Cap index has been chosen as Henry Boot is a constituent of the FTSE Small Cap index.

CEO remuneration for the previous ten years

Year		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Total Remuneration	(£'000)	764	842	962	1,054	1,000	981	1,118	1,277	1,250	912	**715**
Annual bonus	(% of max)	58.3	66.7	58.3	83.3	94.5	87.8	91.1	99.2	76.8	64.8	**50.0**
LTIP	(% of max)	64	50	40	50	25	25	67	100	87	65	**nil**

Percentage change in Directors remuneration[2]

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in remuneration for Directors compared to the wider workforce from 2019 to 2020. For these purposes:

	Salary/fees	Taxable benefits	Annual bonus
Chief Executive Officer[1]	0%	0%	N/A
Group Finance Director	11%	0%	(51.1)%
Jamie Boot	3%	N/A	N/A
James Sykes	3%	N/A	N/A
Joanne Lake	3%	N/A	N/A
Gerald Jennings	3%	N/A	N/A
Peter Mawson	3%	N/A	N/A
Workforce	3.99%	0%	(40.81)%

1. Tim Roberts was appointed CEO on 1 January 2020 therefore there is no previous year comparative to calculate a change.
2. John Sutcliffe stepped down from the CEO role on 31 December 2019. He remained on the Board in an advisory role until 31 May 2020 when he stepped down from the Board. John Sutcliffe has been excluded as he left the company during the year and so a comparison to the previous year would not be representative.

CEO pay ratio

The table below illustrates the ratio between CEO pay for 2020.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	**Option A**	**26:1**	**18:1**	**11:1**
2019	Option A	41:1	27:1	17:1

In line with legislation, the analysis has been calculating using Option A based on the single total figure for the CEO on page 119 and pay and benefits for UK FTE employees. The Committee selected Option A as the method of calculation as it is generally recognised as the most statistically robust and is consistent with the 2019 reporting.

The pay and benefits for UK employees was calculated on 18 March 2021 using the same method as used for the single total figure. Furloughed employees were included in the calculation but as salaries were topped up to 100% this had limited impact on the calculation. No estimates or adjustments have been made.

The median CEO pay ratio has decreased since 2019 but there are several reasons why the ratio for 2020 may not be representative of a typical year. In 2020, members of the Board voluntarily reduced salaries by 20% for the duration of the most severe impact of the pandemic and although some employees were furloughed salaries were topped up to 100%. In addition, as Tim Roberts was appointed to the Board as CEO on 1 January 2020, his first LTIP grant will not be eligible to vest until 2023. As such the ratio for 2020 may under-emphasise current pay differentials. However, the ratio is considered to be consistent with the pay, reward and progression policies within the Company.

	25th percentile	**50th percentile**	**75th percentile**
Salary/wages	£24,720.00	£34,145.00	£51,141.81
Total remuneration	£27,447.00	£39,245.50	£63,479.37

Relative importance of the 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:

	2020 £'000	2019 £'000	% change
Ordinary dividends	**7,319**	6,633	10%
Profit attributable to owners of the business	**11,921**	37,596	(68)%
Overall expenditure on pay	**31,125**	35,029	(11)%

Implementation of Remuneration Policy in 2021

Executive Directors

Base salary and fees

The CEO will receive a base salary increase of 1% effective 1 January 2021, in line with the wider workforce. The GFD will receive a salary increase of 10% effective 1 January 2021, this is the first part of a two-stage increase to reflect his experience, the market rate for this role and his outstanding contribution to the business since his appointment.

	Salaries effective from		
	01 January 2021 £	01 January 2020 £	Change %
Tim Roberts	**434,764**	430,460	1%
Darren Littlewood	**275,000**	250,000	10%

Pension

Darren Littlewood will continue to receive a salary supplement in lieu of pension of 20% of salary until 31 December 2021, following which his salary supplement in lieu of pension will reduce to 8% of salary, this representing the pension contribution that most employees are able to contribute to the pension. Tim Roberts will receive a salary supplement in lieu of pension of 8% of salary.

2021 bonus

The maximum bonus opportunity for Executive Directors is 120% of salary. The 2021 bonus will be based two thirds on financial measures and one third on strategic objectives. In line with the new Policy, 10% of the bonus will payout for threshold performance, 50% at target. The profit targets are considered to be commercially sensitive and will therefore be disclosed retrospectively in next year's report. An overview of the strategic objectives for each director is set out below.

Corporate Governance Report

Remuneration

2021 personal objectives – Tim Roberts

1	Implement Group strategy, identifying strategic smart objectives, taking account of risk
2	Communicating the Group's strategy, vision and values both internally and externally
3	Develop senior leadership team and review Group remuneration
4	Lead good Health and Safety practices around the Group to avoid any major Health and Safety incidents
5	Attract new shareholders to the register, achieving positive feedback from meetings with existing shareholders and analysts by clear key messaging and Investor Relations (IR) Policy
6	Develop Environment Social and Governance (ESG) Policy, and support legal and regulatory compliance and initiatives around the Group meeting related deadlines
7	Promote an open, diverse and progressive organisation and reduce the gender pay gap

2021 personal objectives – Darren Littlewood

1	Formulate and communicate Group strategy, implementing and monitoring key strategic smart objectives for the Group
2	Inform and develop IT strategy for each subsidiary business and the overarching Group
3	Developing strategic influence within the business and profile within the wider industry
4	Developing the Finance/IT/Communications team's profile and skillsets, developing their integration across the Group
5	Management and development of financial reporting within each business, to the Board and to the investor community
6	Undertake a review of internal audit following the three-year BDO program and successful transitioning of the external audit from PWC to EY
7	Support the development of an Environmental, Social and Governance (ESG) Policy

Two-thirds of any bonus earned will be payable in cash and for the remaining one third of the bonus, Executive Directors will be required to invest this into shares which must be held for three years.

LTIP Awards expected to be granted for the financial years 2021–2023 in 2021

The Committee also reviewed the grant level under the LTIP within the new, lower, policy limit of 175% of salary. Recent grant levels have been 100% of salary and as part of the overall review the Committee has determined that the normal grant level should increase to 125% of base salary for the CEO and maintain the current grant level for the GFD (100% of salary). The proposed LTIP opportunities are designed to drive and reward management for achieving the stretching performance conditions, linked to the long-term strategy, and we are comfortable with the slightly higher award level for the CEO, recognising his position as leader of the business and key driver of the success of the long-term strategy.

After the increase, the Committee is satisfied that the CEO's total remuneration will continue to be positioned between the lower quartile and median for companies of a similar size and sector. This is a market positioning that we are comfortable with, taking into account the other career benefits of working for Henry Boot.

	Type of award	% of salary	% of award at threshold
Tim Roberts	LTIP – nil cost option	125%	25%
Darren Littlewood	LTIP – nil cost option	100%	25%

The performance criteria for these awards is as follows:

EPS	We strive to grow earnings per share sustainably over the long-term. This should give rise to an ability to grow dividends faster than inflation; a key driver to long-term growth in shareholder value.
Return on 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 constituent companies of the FTSE Small Companies Index	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.

These three performance criteria provide a good balance between financial and stock market performance.

The EPS targets represent growth from a 2020 EPS of between 144% and 211% and are considered by the committee to be stretching in light of the business plan and the market outlook.

The ROCE range has been reduced slightly from prior years recognising the continuing impact of the COVID pandemic on the business during 2021 in particular.

The detailed performance metrics which will be measured over the three-year period to 31 December 2023, for these awards is as follows:

	Weighting	Threshold target (25% of maximum)	Maximum target (100% of maximum)
EPS in 2023	33.3%	22p	28p
Return on Capital Employed (average over 3 years)	33.3%	9%	12%
TSR relating to the FTSE Small Cap Index	33.4%	Median performance	Upper quartile performance

Awards will be subject to a two-year holding period post vesting.

Non-executive Directors

	Fees effective from		
	01 January 2021 £	01 January 2020 £	Change %
Chairman fee	**91,078**	90,176	1%
Base Non-executive Director fee	**48,218**	47,740	1%

Approved by the Board and signed on its behalf by

Gerald Jennings
Chairman of the Remuneration Committee

16 April 2021

Corporate Governance Report

DIRECTORS' REPORT

The Directors' Report for the financial year ended 31 December 2020 is detailed below.

Activities of the Group

The principal activities of the Group are land promotion, property investment and development, and construction.

Strategic Report

In accordance with the Companies Act 2006, we are required to present a fair review of the Group's business along with a description of the principal risks and uncertainties it faces. The Strategic Report for the year ended 31 December 2020 is set out on pages 16 to 65.

Corporate governance statement

The Disclosure Guidance and Transparency Rules of the Financial Conduct Authority require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the Corporate Governance Statement can be found in Governance on pages 74 to 133, and also within this Director's Report.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 144. The companies affecting the profit or net assets of the Group in the year are listed in note 36 to the Financial Statements.

The Directors recommend that a final dividend of 3.3p per ordinary share be paid on 28 May 2021, subject to shareholder approval at the 2021 AGM to be held on 20 May 2021, to ordinary shareholders on the register at the close of business on 30 April 2021. If approved, this, together with the interim dividend of 2.2p per ordinary share paid on 16 October 2020, will make a total dividend of 5.5p per ordinary share for the year ended 31 December 2020. Further details are disclosed in note 10 to the Financial Statements on page 162.

Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 154 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 17, 24, 25 and 27 to the Financial Statements.

Going concern and viability statement

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Strategic Report on pages 53 to 54.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 133. The Independent Auditors' Report is given on pages 136 to 143.

Fair, balanced and understandable

The Audit and Risk Committee and the Board have assessed the tone, balance and language of the Annual Report and Financial Statements, being mindful of the requirements of the UK Corporate Governance Code and the need for consistency between the narrative section of the document and the Financial Statements. The Board's formal statement on the Annual Report and Financial Statements being fair, balanced and understandable is contained within the Statement of Directors' Responsibilities which can be found on page 133.

Political donations

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

Directors and their interests

Details of the Directors who held office during the financial year ending 31 December 2020 and as at the date of this Annual Report and Financial Statements can be found on pages 70 and 71. At no time during the year has any Director had any interest in any significant contract with the Company.

The interests of Directors and persons closely associated with them in the share capital of the Company as at 31 December 2020, are disclosed in the Directors' Remuneration Report on pages 106 to 127. Between 31 December 2020 and 31 March 2021, being a date not more than one month prior to the date of the Notice of the AGM, there has been no change in the beneficial interest of any current Director.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 122 to 127.

Directors' service contracts and letters of appointment

Details of unexpired terms of Directors' service contracts and/or letters of appointment of the Executive Directors proposed for reappointment at the AGM on 20 May 2021 are set out in the Directors' Remuneration Policy.

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

Non-executive Directors, including the Chairman, do not have service contracts. All Non-executive Directors have letters of appointment and their appointment and subsequent reappointment is subject to approval by shareholders. Non-executive Director appointments are typically for three years; however, they may be terminated without compensation at any time. The 2018 Directors' Remuneration Policy can be viewed on the website, with the proposed 2021 Directors' Remuneration Policy being set out on pages 111 to 118.

Training and development

Formal and tailored inductions are arranged for all new Directors and continued development is monitored by the Chairman as part of the evaluation process. Commencing in 2019, due to the appointment of Tim Roberts, the Nomination Committee in conjunction with the Head of HR developed a full programme of induction for Tim, including attendance at Board and other meetings, training and other development to ensure a seamless integration into the business.

Non-executive Directors are encouraged to familiarise themselves with the Company's business, and throughout the year they have regularly attended subsidiary board meetings and other management meetings. This provides further insight into the business, its culture and an opportunity to meet with the wider senior management team in more informal situations. Site visits to key developments and sites are ordinarily scheduled throughout the year though in 2020 these were negatively impacted by the CV-19 pandemic. You can read more about the engagement with employees and other stakeholders on pages 86 to 89.

Specific training requirements were considered as part of the Board's skills evaluation, details of which can be found on pages 95 to 96. General updates on regulations and best practice are provided through a mixture of briefings, Board papers and emails

Employment policy and involvement

Employees

Employees are at the heart of all that we do; our culture ensures that employees can grow, thrive and succeed. Details of how we seek to promote and achieve this are set out responsible business section on pages 57 to 60, the employee engagement report on pages 86 to 87 and Nomination Committee Report on pages 94 to 98.

Employee engagement

Details of our employee engagement activities can be found on pages 86 to 87.

Employee communications

We utilise our ever-evolving Group intranet to disseminate information to all Directors and employees. Regular news items and internal updates are issued on a frequent basis; collaboration and inclusion are encouraged. This is supplemented by publications such as our regular 'Boot World' newsletter and Charity Newsletter. During 2021, the Group will continue to review its intranet function and will be looking to introduce other modes of communication throughout the Group in the form of an online forum. The development of these functions will be developed in conjunction with the Employee Forums and Working Groups.

Employee share schemes

The Group encourages participation in employee share schemes of the Company to share in the potential growth and any future success of the Group. From 2018, all eligible employees were invited to participate in Sharesave and the Company Share Option Plan on an annual basis. Details of employee share schemes are set out in note 30 to the Financial Statements.

Directors' indemnity provisions

Directors risk personal liability under civil and criminal law for many aspects of the Company's main business decisions. As a consequence, the Directors could face a range of penalties including fines and/or imprisonment. In keeping with normal market practice, the Company believes that it is prudent and in the best interests of the Company to protect the individuals concerned from the consequences of innocent error or omission. As a result, the Company operates a Directors' and officers' liability insurance policy in order to indemnify Directors and other senior officers of the Company and its subsidiaries, as recommended by the UK Corporate Governance Code. This insurance policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

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

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 Responsible Business section on page 61.

Relationship with stakeholders

Details of how we engage with stakeholders and uphold our Director's duties more widely under s.172 of the Companies Act 2006 can be found on pages 46 to 47 and 88 to 89.

Shareholder relations

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

During the year a number of formal presentations were made by members of the Board to institutional shareholders and feedback from these meetings was provided to the Board by our stockbrokers. Our largest institutional and family shareholders were also consulted in the months leading up to the publication of the Remuneration Policy. As a result of feedback received, changes were made to the Policy and its implementation for 2021. In addition, informal feedback sessions regarding the Annual Report were carried out with institutional investors. At every Board meeting an update is given to the Non-executive Directors on any feedback from investors, particularly after investor roadshow programmes. The Board receive a report at every meeting on share movements during the period and any market trends. The Company uses the Investor Relations section of its website, henryboot.co.uk, to publish statutory documents and communications to shareholders, such as the Annual Report and Financial Statements. The website is designed to communicate with both present and potential investors and includes all London Stock Exchange announcements, investor presentations and press releases.

Greenhouse gas emissions

The greenhouse gas emissions disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included within the Strategic Report on pages 64 to 65. This information is incorporated by reference into (and shall be deemed to form part of) this report.

Substantial interests in voting rights

Excluding Directors, as at 31 March 2021, being a date not more than one month prior to the date of the Notice of the AGM, the information in the table below had been disclosed to the Company in accordance with the requirements in the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

	Voting rights over ordinary shares	
	Number	**% of issued**
Rysaffe Nominees and J J Sykes (joint holding)[1]	20,722,155	15.56
Unicorn Asset Management Limited	6,830,000	5.13
The Fulmer Charitable Trust[2]	5,739,580	4.40
The London & Amsterdam Trust Company Limited	5,525,936	4.15
Polar Capital	4,176,337	3.14

1. Rysaffe Nominees and James Sykes are joint registered holders on behalf of various Reis family trusts and are therefore not included under the beneficial interests of James Sykes set out in the Directors' Remuneration Report.
2. The shares of the Fulmer Charitable Trust, a recognised charity, are registered in the names of Mr John Spencer Reis, Mrs Sally Anne Reis and Mrs Caroline Mary Mytum as Trustees.

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

Details of Directors holdings can be found on page 123.

Shares held by the Henry Boot PLC Employee Trust

The Company has an established Employee Trust (the Trust) for the benefit of the Group's employees to satisfy existing grants by the Company under various share-based payment arrangements. Details of the Company's

Corporate Governance Report

share-based payment arrangements are provided in note 30 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout 2020 were Jamie Boot, Tim Roberts, Darren Littlewood and Amy Stanbridge (John Sutcliffe resigned on 31 May 2020), exercises the voting rights in relation to shares held as it, in its absolute discretion, thinks fit, but having regard to the interests of the beneficiaries. In respect of the financial year of the Company ended on 31 December 2020, the Trust has waived the right to receive from the Company all dividends (if any) in respect of the shares held within the Trust.

During the year the Trust has purchased 250,000 ordinary shares in the Company in order to satisfy upcoming grants. Further details are provided in note 32 to the Financial Statements.

Future developments

Important events since the financial year end and likely future developments are described in the Strategic Report on pages 16 to 65 and in note 36 to the Financial Statements.

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 newly-appointed external auditors, Ernst & Young LLP, have carried out the audit of the 2020 financial results. Resolutions re-appointing Ernst and Young as auditors (Resolution 12) and authorising the Audit and Risk Committee to fix their remuneration (Resolution 13) will be proposed at the AGM.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 133. The Independent Auditors' Report is given on pages 136 to 143.

Annual General Meeting (AGM)

The health of the Company's shareholders, as well as its employees, is of paramount importance. In view of the UK Government placing restrictions on gatherings due to the CV-19 pandemic, ordinary shareholders and their proxies are kindly requested not to attend the AGM in person, as the number of permitted attendees is likely to restricted. Details of how shareholders can access the Board's Company update, usually delivered at the AGM, will be detailed on the Company's website in due course. The Notice of the AGM can be found on pages 198 to 201, which also details methods of shareholder engagement to take place in conjunction with the AGM. It is also available at henryboot.co.uk, where a copy can be viewed and downloaded.

Additional shareholder information

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

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

Share capital

The Company's issued share capital comprises two classes of shares being, respectively, ordinary shares of 10p each (ordinary shares) and cumulative preference shares of £1 each (preference shares). Further details of the share capital of the Company are set out in note 30 to the Financial Statements. As at 31 March 2021, the ordinary shares represent 97.08% of the total issued share capital of the Company by nominal value and the preference shares represent 2.92% of such total issued share capital. The ordinary shares and the preference shares are in registered form. Both classes of share are admitted to the Official List of the Financial Conduct Authority.

The Company's ordinary shares are categorised as "Premium Listed" and its preference shares as "Standard Listed". A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing requires compliance with additional requirements set out in the Listing Rules of the Financial Conduct Authority.

The Notice of the AGM on pages 198 to 201 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 £4,440,364 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 31 March 2021. The authority will expire on 19 August 2022 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 £666,054 (approximately 5% of the Company's issued ordinary share capital at 31 March 2021). The authority will expire on 19 August 2022 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority. The Directors also confirm their intention that, in line with the Pre-Emption Group's Statement of Principles, no more than 7.5% of the issued ordinary share capital of the Company (excluding treasury shares) will be issued for cash on a non pre-emptive basis during any rolling three-year period without prior consultation with shareholders.
- A special resolution (Resolution 16) to renew the authority of the Company to make market purchases of up to 13,321,093 of its own issued ordinary shares (10% of the Company's issued ordinary share capital at 31 March 2021). The minimum price that may be paid under the authority for an ordinary share is 10p and the maximum price is limited to not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Directors will exercise the authority only if they are satisfied that it would be likely to result in an increase in expected earnings per share of the ordinary share capital in issue and that any purchase will be in the best interests of shareholders generally. If the Directors do decide to exercise the authority, ordinary shares so acquired will either be cancelled or held as treasury shares, depending upon the circumstances prevailing at the time.

Rights and obligations attaching to shares

Subject to the Companies Act 2006 and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of Directors for the time being of the Company (the Board) may decide. Subject to the Companies Act 2006, the Articles and any resolution of the Company, the Board may deal with any unissued shares as it may decide.

Rights of preference shares

The preference shares carry the following rights in priority to the ordinary shares but carry no further right to participate in profits or assets:

- the right to receive out of the profits of the Company a fixed cumulative preferential dividend at the rate of 5.25% per annum on the capital paid up thereon;
- the right on a return of assets on a winding up to payment of the capital paid up thereon together with a sum calculated at the rate of 6.00% per annum in respect of any period up to the commencement of the winding up for which such preferential dividend as referred to above has not been paid; and
- the right on a return of assets in a reduction of capital to repayment of the capital paid up thereon together with a sum equal to all arrears (if any) of such preferential dividend as referred to above. The preference shares shall not confer on the holders of them any right to receive notice of or to be present or to vote at any general meeting unless either:
  - a resolution is proposed directly affecting the rights or privileges of the holders of the preference shares as a separate class; or
  - at the date of the notice convening the general meeting, the fixed cumulative preferential dividend provided in the Articles shall be in arrears for more than six months.

Voting

Under and subject to the provisions of the Articles and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every shareholder present in person shall have one vote, and on a poll every shareholder who was present in person or by proxy shall have one vote for every share of which he is the holder. Under the Companies Act 2006, shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

Restrictions on voting

A shareholder shall not be entitled to vote at any general meeting or class meeting in respect of any shares held by him unless all calls and other sums presently payable by him in respect of that share have been paid. In addition, holders of default shares (as defined in the Articles) shall not be entitled to vote during the continuance of a default in providing the Company with information concerning interests in those shares required to be provided (following relevant notification) under the Companies Act 2006.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 20 May 2021 are set out in the Notice of AGM on pages 198 to 201.

Dividends and distributions

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

Variation of rights

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

Transfer of shares

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

- in respect of only one class of shares;
- duly stamped or exempt from stamp duty;
- delivered to the office or at such other place as the Board may decide for registration; and
- accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to show the right of the intending transferor to transfer the shares.

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

Repurchase of shares

Subject to the provisions of the Companies Act 2006 and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

Amendment to the Articles of Association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Appointment and replacement of Directors

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three nor more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for reappointment. The Board may appoint one or more Directors to hold any office or employment under the Company for such period (subject to the Companies Act 2006) and on such terms as it may decide and may revoke or terminate any such appointment.

At each AGM any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM, one-third of the Directors who are subject to retirement by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office. In addition, there shall also be required to retire by rotation any Director who at any AGM of the Company shall have been a Director at each of the preceding two AGMs of the Company, provided that they were not appointed or reappointed at either such AGM and they have otherwise ceased to be a Director and been reappointed by general meeting of the Company at or since either such AGM. The Company's policy is that all of the Directors should be, and are, subject to annual re-election.

Corporate Governance Report

The Company may, by ordinary resolution of which special notice has been given in accordance with the Companies Act 2006, remove any Director before their period of office has expired notwithstanding anything in the Articles or in any agreement between them and the Company. A Director may also be removed from office by the service on them of a notice to that effect signed by or on behalf of all the other Directors, being not less than three in number. The office of a Director shall be vacated if:

i. they are prohibited by law from being a Director;

ii. they become bankrupt or make any arrangement or composition with their creditors generally;

iii. they are physically or mentally incapable of acting as a Director, in the opinion of a registered medical practitioner who is treating them;

iv. a court makes an order that they are prevented from exercising their powers or rights by reasons of their mental health;

v. for more than six months they are absent, without special leave of absence, from the Board, from meetings of the Board held during that period, and the Board resolves that their office be vacated; or

vi. they serve on the Company notice of their wish to resign.

Powers of the Directors

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Articles and any resolution of the Company's shareholders.

The Articles specify that the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets and uncalled capital and to issue debentures and other securities, subject to the provisions of the Articles.

Takeovers and significant agreements

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

- the Company's share schemes and plans; and
- bank facilities whereby upon a "change of control" the lenders shall consult with the Company for a period not greater than 30 days (commencing on the date of the change of control) to determine whether and on what basis the lenders are prepared to continue the facility.

Information rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to enjoy information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, rather than to the Company's registrars, Computershare Investor Services PLC or to the Company directly.

Approved by the Board and signed by its order by

Amy Stanbridge
Company Secretary

16 April 2021

The following table sets out where stakeholders can find relevant Non-Financial information within this Annual Report, further to the Financial Reporting Directive requirements contained in sections 414CA and 414CB of the Companies Act 2006. Where possible, it also states where additional information can be found that support these requirements.

Reporting requirement	Relevant Henry Boot policies and procedures	Where to read more in this report	Page
Business Model		Business Model	18–21
Principal risks and impact of business activity		Risks and Uncertainties Audit and Risk Committee Report	48–54 100–105
Non-financial KPIs		Strategy Key Performance Indicators	26–29 42
Employee Engagement	Board Diversity Policy Board Stakeholder Policy	Our Responsible Business Our People Corporate Governance Report	55–56 57–59 88–89
Human Rights	Modern slavery statement & Policy Rights to Work Whistleblowing	Our People	61
Social matters	Board Stakeholder Policy	Our Responsible Business	55–65
Anti-bribery and corruption	Anti-bribery and Corruption Policy	Our People	61
Environmental matters	Board Stakeholder Policy	Our Planet	64–65

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Annual report and financial statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards ('IFRSs') in conformity with the Companies Act 2006

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Parent Company financial position and financial performance;
- in respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006, 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 appropriate to presume that the Parent Company and/ or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fair, balanced and understandable

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

Directors' responsibility statement

Each of the Directors, whose names and functions are listed in Board of Directors, confirm that, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and undertakings included in the consolidation taken as a whole; and
- that the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Parent Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board and signed on its behalf by

Tim Roberts	**Darren Littlewood**
Director	Director
16 April 2021	16 April 2021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FINANCIAL STATEMENTS

Independent Auditors' Report

to the members of Henry Boot PLC

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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Henry Boot PLC (the 'Parent Company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise:

Group	Parent Company
Group statement of financial position as at 31 December 2020	Parent Company statement of financial position as at 31 December 2020
Consolidated statement of comprehensive income for the year then ended	Parent Company statement of changes in equity for the year then ended
Group statement of changes in equity for the year then ended	Parent Company statement of cash flows for the year then ended
Group statement of cash flows for the year then ended	Related notes 1 to 38 to the financial statements including a summary of significant accounting policies
Related notes 1 to 38 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key risk factors we identified were considered in their assessment;
- We obtained management's going concern assessment, including the cash forecast and forecast covenant calculation which covers the period to 31 December 2022. The Group has modelled a base scenario and then a severe but plausible downside scenario in their cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the Group.
- We have tested the factors and assumptions included in each modelled scenario for the cash forecast and covenant calculation and we have considered the impact of CV-19. We considered the appropriateness of the methods used to calculate the cash forecasts and covenant calculations and determined that they were appropriately sophisticated to be able to make an assessment on going concern.
- We considered the mitigating factors included in the cash forecasts and covenant calculations that are within control of the Group. This includes review of the Company's non-operating cash outflows. We also verified the credit facilities available to the Group.
- We have performed reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period.
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and Parent Company's ability to continue as a going concern to 31 December 2022.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of six components and audit procedures on specific balances for a further five components. • The components where we performed full or specific audit procedures accounted for 94% of Profit before tax, 97% of Revenue and 93% of Total assets
Key audit matters	• Valuation of contract balances and associated revenue and profit recognition • Valuation of house building inventories • Valuation of investment properties
Materiality	• Overall group materiality of £1.9m which represents 5% of normalised profit before tax. Due to the impact of CV-19 on the business, our materiality is based on the average profit before tax over the past three years.
First year transition	• The year ended 31 December 2020 is our first as auditor of the Group. We commenced transition subsequent to our appointment on 30 June 2020. Our transition activities focused on evaluating key accounting judgements and the Group's accounting policies, undertaking a review of the predecessor auditor's files to consider the nature, timing and extent of audit procedures performed in the prior year to be satisfied with the comparatives presented and understanding and walking through the key processes of the Group.

An overview of the scope of the Parent Company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 45 reporting components of the Group, we selected eleven components, which represent the principal business units within the Group.

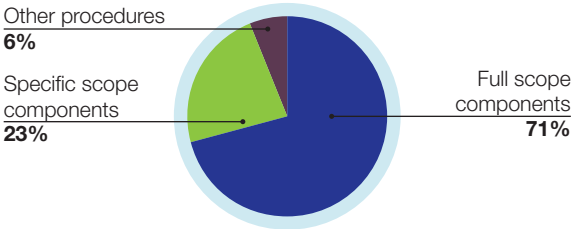
Of the eleven components selected, we performed an audit of the complete financial information of six components ("full scope components") which were selected based on their size or risk characteristics. For the remaining five components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 94% of the Group's Profit before tax, 97% of the Group's Revenue and 93% of the Group's Total assets. For the current year, the full scope components contributed 71% of the Group's Profit before tax, 92% of the Group's Revenue and 85% of the Group's Total assets. The specific scope components contributed 23% of the Group's Profit before tax, 5% of the Group's Revenue and 8% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of profit before tax, revenue and total assets tested for the Group.

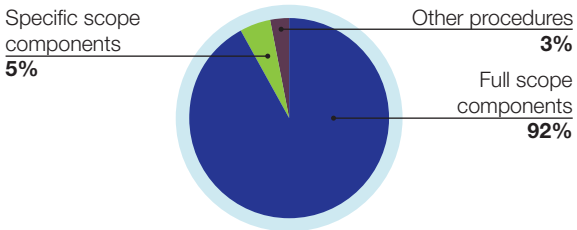
Of the remaining 34 components that together represent 6% of the Group's Profit before tax, none are individually greater than 1% of the Group's Profit before tax. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

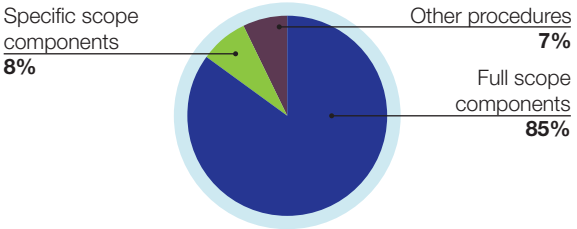
Profit before tax (or adjusted PBT measure used



Revenue



Total assets



All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Independent Auditors' Report

to the members of Henry Boot PLC

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of contract balances and associated revenue and profit recognition *Refer to the Audit & Risk Committee Report (page 102); Accounting policies (page 150); and Note 1, 17 and 22 of the Consolidated Financial Statements (page 157, 175,177)* The Group has reported revenues from construction and development contracts for the year of £123.9 (2019: £195.7m). The Group has reported contract assets of £13.3m (2019: £19.1m) and contract liabilities of £7.4m (2019: £9.9m). For Construction and Development contract activity the performance obligation is satisfied over time. This means that revenue is recognised by measuring the progress towards completing the performance obligation satisfactorily. This assessment requires management to estimate the stage of completion of Construction and Development contract activity and assess costs to complete. Forecasting is highly subjective and is an area that could lead to misstatement of revenue, profit and related construction and development contract balances either through error or management bias.	For a sample of contracts, we evaluated management's revenue and profit recognition and the related contract assets and liabilities by performing the following procedures: • We performed walkthroughs to understand the key processes and identify key controls; • We agreed key contractual terms to customer contracts; • We agreed total revenue for the contract to the signed contract and approved variation orders; • We held meetings with in-house surveyors to understand the status,performance to date of the contracts and the basis for the cost to complete assumptions made; • We challenged management's forecast of costs to complete by analysing historical forecasting accuracy through reviewing the movement in forecast margins to their final actual margins on completed contracts; • We obtained post year end contract valuation schedules to identify unfavourable margin movements and where necessary that this post year end informaiton was reflected in the year end assessments; • We tested a sample of costs incurred in the year to third party supporting evidence and validated that the cost had been allocated to the appropriate contract; • We recalculated the percentage completion of the project and the revenue and margin recognised in the year; • We tested the amounts invoiced on contracts to underlying payment applications/certificates and to cash receipt where possible and assessed any contract assets for recoverability; and • We discussed projects with in-house surveyors and the Group legal department to identify any claims that may impact on cost to complete. For those sample projects that were incomplete at the balance sheet date, we also performed a virtual tour to gain a deeper understanding of the projects and to evaluate the stage of completion.	Based on our audit procedures we have concluded that the contract balances, revenue and profit recognised in the year are not materially misstated.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of House Building inventories *Refer to the Audit & Risk Committee Report (page 102); Accounting policies (page 153); and Note 20 of the Consolidated Financial Statements (page 177)* The Group holds house building inventories of £39.2m (2019: £36.3m). There is a risk that the carrying value of WIP and land in relation to the housebuilding part of the Group is misstated. Inventory is held at cost less amount recognised within cost of sales. The carrying value of inventories is therefore determined by reference to expected future sales value and cost to complete assumptions which are subject to estimation.	For a sample of development sites, we performed the following procedures: • We performed walkthroughs to understand the key processes and identify key controls; • We held meetings with in-house surveyors to understand the status and performance to date of the sites and the basis for the sales and cost to complete assumptions made; • We verified sales price assumptions against recent market activity and to consider if recent market activity provided an contra-evidence; • We compared the estimated and actual costs and margin for completed sites to assess the historical accuracy of management's forecasting and to evaluate the appropriateness of the forecast margin for incomplete sites at the balance sheet date; • We agreed a sample of costs incurred during the year (included as additions to work in progress) to third party invoices as well as reviewing the proportion of that expenditure recognised as a cost of sale in the year in respect of units sold. • We agreed a sample of land additions in the period to third party agreements and cash payment; • We tested the allocation of costs incurred during the year to confirm that these were allocated to the correct site; and • We assessed the completeness of inventory provisions by performing sensitivity analysis on active sites and post year end sales activity. For those sample projects that were not substantially complete at the balance sheet date, we visited sites to gain a deeper understanding of the sites and evaluate the stage of completion.	Based on our audit procedures we have concluded that the inventory balance and profit recognised in the year are not materially misstated.

Independent Auditors' Report

to the members of Henry Boot PLC

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of investment properties *Refer to the Audit & Risk Committee Report (page 102); Accounting policies (page 152); and Note 14 of the Consolidated Financial Statements (page 168 to 172)* The Group has holds Investment property of £82.7m (2019: £70.0m). There is a risk that the carrying value of investment properties is misstated, given the uncertainties inherent in the valuations including estimated rental values, yields, cost to complete and land values per acre.	For a sample of investment properties, we performed the following procedures: • We performed walkthroughs to understand the key processes and identify key controls; • For completed investment property valued by an external valuer, we assessed the appropriateness of the valuations, with the assistance of our EY Valuations specialists. We assessed these through reading the external valuer reports and testing the underlying data used by the external valuer in forming their valuation including; benchmarking, validating key assumptions to supporting third party evidence or market activity and considering contrary evidence; and • For a sample of properties in the course of construction, valued by management, we agreed rental assumptions to pre letting agreements, tested a sample of costs incurred to third party invoices and evaluated the appropriateness of costs to complete.	Based on our audit procedures we have concluded that the investment property balance and fair value movement recognised in the year are not materially misstated.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1.9 million, which is 5% of normalised profit before tax. Due to the impact of CV-19 on the business, our materiality is based on the average profit before tax over the past three years. We believe that normalised profit before tax provides us with an appropriate basis for materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors. The predecessor auditor determined materiality to be £3.6 million, based on 0.8% of total assets in the prior year.

We determined materiality for the Parent Company to be £1.6 million, which is 2% of equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £0.95m. We have set performance materiality at this level as this is the first year of our audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.19m to £0.95m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 133 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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 and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Independent Auditors' Report

to the members of Henry Boot PLC

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the company

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 53;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 54;
- Directors' statement on fair, balanced and understandable set out on page 133;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 48 to 53;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 102 to 104; and;
- The section describing the work of the Audit and Risk committee set out on pages 100 to 102

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 133, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

IIrregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK.
- We understood how Henry Boot PLC is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Group management and Internal Audit; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the company on 30 June 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria Venning
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020 £'000	Restated[1] 2019 £'000
Revenue	1	**222,411**	379,693
Cost of sales		**(181,944)**	(298,711)
Gross profit		**40,467**	80,982
Administrative expenses		**(28,791)**	(29,681)
Pension expenses	4	**(4,552)**	(4,475)
		7,124	46,826
Increase in fair value of investment properties	14	**1,266**	2,370
Loss on sale of investment properties		**(97)**	(238)
Loss on sale of assets held for sale		**—**	(56)
Share of profit of joint ventures and associates	16	**1,756**	1,448
Profit on disposal of joint ventures and subsidiaries	37	**7,426**	—
Operating profit	3	**17,475**	50,350
Finance income	5	**721**	494
Finance costs	6	**(1,117)**	(1,740)
Profit before tax		**17,079**	49,104
Tax	7	**(3,354)**	(9,649)
Profit for the year from continuing operations		**13,725**	39,455
Other comprehensive expense not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	**(651)**	(404)
Actuarial loss on defined benefit pension scheme	28	**(15,713)**	(7,937)
Deferred tax on actuarial loss	19	**3,089**	1,350
Total other comprehensive expense not being reclassified to profit or loss in subsequent years		**(13,275)**	(6,991)
Total comprehensive income for the year		**450**	32,464
Profit for the year attributable to:			
Owners of the Parent Company		**11,921**	37,596
Non-controlling interests		**1,804**	1,859
		13,725	39,455
Total comprehensive income attributable to:			
Owners of the Parent Company		**(1,354)**	30,605
Non-controlling interests		**1,804**	1,859
		450	32,464
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**9.0p**	28.3p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**8.9p**	28.1p

[1] See 'change in accounting policies' on page 148.

Statements of Financial Position

as at 31 December 2020

	Note	Group 2020 £'000	Group 2019 £'000	Parent Company 2020 £'000	Parent Company 2019 £'000
Assets					
Non-current assets					
Intangible assets	11	**4,318**	6,823	**—**	—
Property, plant and equipment	12	**23,818**	22,015	**182**	331
Right-of-use assets	13	**2,110**	6,085	**137**	160
Investment properties	14	**82,723**	70,002	**—**	—
Investments	15	**—**	—	**38,021**	38,021
Investment in joint ventures and associates	16	**5,840**	6,634	**—**	—
Trade and other receivables	18	**7,194**	17,238	**—**	—
Deferred tax assets	19	**7,342**	4,538	**7,347**	4,255
		133,345	133,335	**45,687**	42,767
Current assets					
Inventories	20	**200,789**	169,749	**—**	—
Contract assets	17	**13,328**	19,085	**—**	—
Trade and other receivables	18	**65,032**	90,777	**135,640**	128,364
Cash and cash equivalents		**42,125**	42,303	**31,615**	37,316
		321,274	321,914	**167,255**	165,680
Liabilities					
Current liabilities					
Trade and other payables	23	**72,727**	70,763	**93,110**	82,961
Contract liabilities	22	**7,430**	9,876	**—**	—
Current tax liabilities		**1,129**	4,680	**386**	2,958
Borrowings	26	**2,941**	9,981	**1,421**	1,012
Lease liabilities	13	**603**	2,052	**54**	57
Provisions	27	**4,852**	5,315	**—**	—
		89,682	102,667	**94,971**	86,988
Net current assets		**231,592**	219,247	**72,284**	78,692
Non-current liabilities					
Trade and other payables	23	**2,346**	6,148	**—**	—
Borrowings	26	**9,969**	717	**—**	—
Lease liabilities	13	**1,613**	2,585	**86**	108
Retirement benefit obligations	28	**36,445**	22,965	**36,445**	22,965
Provisions	27	**1,076**	1,681	**—**	—
		51,449	34,096	**36,531**	23,073
Net assets		**313,488**	318,486	**81,440**	98,386
Equity					
Share capital	30	**13,718**	13,717	**13,718**	13,717
Property revaluation reserve	31	**2,342**	2,993	**—**	—
Retained earnings	31	**288,514**	293,593	**61,357**	78,390
Other reserves	31	**6,404**	6,390	**7,541**	7,527
Cost of shares held by ESOP trust	32	**(1,176)**	(1,248)	**(1,176)**	(1,248)
Equity attributable to owners of the Parent Company		**309,802**	315,445	**81,440**	98,386
Non-controlling interests		**3,686**	3,041	**—**	—
Total equity		**313,488**	318,486	**81,440**	98,386

The Parent Company made a profit for the year of £552,000 (2019: £12,350,000).

The Financial Statements on pages 144 to 195 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 16 April 2021.

On behalf of the Board

Tim Roberts
Director

Darren Littlewood
Director

Statements of Changes in Equity

for the year ended 31 December 2020

		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 2019		13,715	3,397	276,999	6,347	(1,260)	299,198	3,114	302,312
Change in accounting policy[1]		—	—	(154)	—	—	(154)	—	(154)
Restated at 1 January 2019		13,715	3,397	276,845	6,347	(1,260)	299,044	3,114	302,158
Profit for the year	31	—	—	37,596	—	—	37,596	1,859	39,455
Other comprehensive expense		—	(404)	(6,587)	—	—	(6,991)	—	(6,991)
Total comprehensive income/ (expense)		—	(404)	31,009	—	—	30,605	1,859	32,464
Equity dividends	10	—	—	(12,621)	—	—	(12,621)	(2,445)	(15,066)
Proceeds from shares issued		2	—	—	43	—	45	—	45
Purchase of treasury shares	32	—	—	—	—	(598)	(598)	—	(598)
Acquisition of subsidiary		—	—	—	—	—	—	(1,343)	(1,343)
Purchase of non-controlling interest	35	—	—	(1,856)	—	—	(1,856)	1,856	—
Share-based payments	31, 32	—	—	216	—	610	826	—	826
		2	—	(14,261)	43	12	(14,204)	(1,932)	(16,136)
At 31 December 2019		13,717	2,993	293,593	6,390	(1,248)	315,445	3,041	318,486
Profit for the year	31	**—**	**—**	**11,921**	**—**	**—**	**11,921**	**1,804**	**13,725**
Other comprehensive expense		**—**	**(651)**	**(12,624)**	**—**	**—**	**(13,275)**	**—**	**(13,275)**
Total comprehensive income/ (expense)		**—**	**(651)**	**(703)**	**—**	**—**	**(1,354)**	**1,804**	**450**
Equity dividends	10	**—**	**—**	**(4,664)**	**—**	**—**	**(4,664)**	**(1,159)**	**(5,823)**
Proceeds from shares issued		**1**	**—**	**—**	**14**	**—**	**15**	**—**	**15**
Purchase of treasury shares	32	**—**	**—**	**—**	**—**	**(615)**	**(615)**	**—**	**(615)**
Share-based payments	31, 32	**—**	**—**	**288**	**—**	**687**	**975**	**—**	**975**
		1	**—**	**(4,376)**	**14**	**72**	**(4,289)**	**(1,159)**	**(5,448)**
At 31 December 2020		**13,718**	**2,342**	**288,514**	**6,404**	**(1,176)**	**309,802**	**3,686**	**313,488**

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 2019		13,715	85,513	7,484	(1,260)	105,452
Change in accounting policy[1]		—	(7)	—	—	(7)
Restated at 1 January 2020		13,715	85,506	7,484	(1,260)	105,445
Profit for the year	8	—	12,350	—	—	12,350
Other comprehensive expense		—	(6,589)	—	—	(6,589)
Total comprehensive income		—	5,761	—	—	5,761
Equity dividends	10	—	(12,621)	—	—	(12,621)
Proceeds from shares issued		2	—	43	—	45
Purchase of treasury shares	32	—	—	—	(598)	(598)
Share-based payments	32	—	(256)	—	610	354
		2	(12,877)	43	12	(12,820)
At 31 December 2019		13,717	78,390	7,527	(1,248)	98,386
Profit for the year	8	**—**	**552**	**—**	**—**	**552**
Other comprehensive expense		**—**	**(12,624)**	**—**	**—**	**(12,624)**
Total comprehensive expense		**—**	**(12,072)**	**—**	**—**	**(12,072)**
Equity dividends	10	**—**	**(4,664)**	**—**	**—**	**(4,664)**
Proceeds from shares issued		**1**	**—**	**14**	**—**	**15**
Purchase of treasury shares	32	**—**	**—**	**—**	**(615)**	**(615)**
Share-based payments	32	**—**	**(297)**	**—**	**687**	**390**
		1	**(4,961)**	**14**	**72**	**(4,874)**
At 31 December 2020		**13,718**	**61,357**	**7,541**	**(1,176)**	**81,440**

1. The Group adopted IFRS 16 'Leases' retrospectively from 1 January 2019 but did not restate comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

Statements of Cash Flows

for the year ended 31 December 2020

	Note	Group 2020 £'000	Group 2019 £'000	Parent Company 2020 £'000	Parent Company 2019 £'000
Cash flows from operating activities					
Cash generated from operations	33	**21,136**	21,525	**(5,578)**	46,478
Interest paid		**(728)**	(1,341)	**(2,232)**	(2,943)
Tax paid		**(6,597)**	(8,459)	**(4,477)**	(6,356)
Net cash flows from operating activities		**13,811**	11,725	**(12,287)**	37,179
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	35	**—**	(152)	**—**	—
Purchase of intangible assets	11	**(283)**	(491)	**—**	—
Purchase of property, plant and equipment	12	**(924)**	(1,471)	**(54)**	(84)
Capital expenditure on investment property		**(11,962)**	(14,060)	**—**	—
Proceeds on disposal of investment in associate		**—**	1,500	**—**	—
Proceeds on disposal of property, plant and equipment		**279**	365	**—**	—
Proceeds on disposal of investment properties		**627**	22,542	**—**	—
Proceeds on disposal of assets held for sale		**—**	44,550	**—**	—
Proceeds on disposal of investment in joint ventures		**2,798**	—	**—**	—
Interest received		**512**	494	**3,665**	5,552
Dividends received from joint ventures and subsidiaries		**2,200**	—	**7,897**	17,180
Net cash flows from investing activities		**(6,753)**	53,277	**11,508**	22,648
Cash flows used in financing activities					
Proceeds from shares issued		**15**	46	**15**	45
Purchase of treasury shares	32	**(615)**	(598)	**(615)**	(598)
Repayment of borrowings		**(1,942)**	(59,368)	**—**	(45,000)
Proceeds from new borrowings		**4,153**	43,777	**—**	30,028
Principal elements of lease payments		**(3,024)**	(2,346)	**(67)**	(96)
Dividends paid – ordinary shares	10	**(4,643)**	(12,600)	**(4,643)**	(12,600)
– non-controlling interests		**(1,159)**	(2,445)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows used in financing activities		**(7,236)**	(33,555)	**(5,331)**	(28,242)
Net (decrease)/increase in cash and cash equivalents		**(178)**	31,447	**(6,110)**	31,585
Cash and cash equivalents at beginning of year		**42,303**	10,856	**36,304**	4,719
Cash and cash equivalents at end of year		**42,125**	42,303	**30,194**	36,304

Principal Accounting Policies

for the year ended 31 December 2020

The principal Accounting Policies adopted in the preparation of the Group's 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, England, United Kingdom S11 9PD.

Basis of preparation and statement of compliance

The Consolidated Financial Statements of the Group and the Financial Statements of the Parent Company have been prepared in accordance with International Accounting Standards in conformity with the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. They have been prepared on the historical cost basis, except for financial instruments, investment properties and Group occupied land and buildings, which are measured at fair value.

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

Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year with the exception of the Group's definition of operating profit. In the current year, we have reclassified 'share of profit of joint ventures and associates' into operating profit. This is to reflect that our use of joint ventures and associates has gradually moved such that they are now integral to our business model and underpin our core operational business activities. The Directors therefore believe that classifying these lines into operating profit provides more reliable and relevant information to the users of the financial statements. For comparability purposes, the prior year amounts have been restated, leading to operating profit increasing from £48.9m to £50.4m. There is no overall impact on profit before tax or the balance sheet.

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 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 to the effective date of 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

Following the third national lockdown and ongoing impact of CV-19 the Directors have further considered its potential impact on the Group in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario to include a curtailment of activity where no sales from the Construction or Developments businesses, are made unless already committed. For Hallam Land, no sales are assumed in 2021 unless already contracted, with a c20% reduction in sales from the base case for 2022. For Stonebridge Homes a 5% decline in house prices is assumed throughout the assessment period and Banner Plant is assumed to mirror depressed activity levels in 2020. This downside model assumes that acquisition and development spend is restricted other than that already committed. Having started 2021 in a £27m net cash position, a position which has been improved upon over the first part of 2021 with c£38m net cash held by the Group and facilities of £75m, at 26 February 2021, the Directors have concluded that the Group is able to control the level of uncommitted expenditure, allowing it to retain cash and position itself well in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Company meets its day-to-day working capital requirements through a secured loan facility (note 25). The facility was renewed on the 23 January 2020, at a level of £75m, for a period of three years and extended in January 2021 by one year to 23 January 2024 on the same terms as the existing agreement. The facility includes an accordion to increase the facility by up to £30m, which can be requested by the Company at a time of its choosing. None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 14% reduction in revenue and near 36% reduction in profit before tax from our base case for 2021, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2022.

At the time of approving the Financial Statements the Directors expect that the Company and the Group will have adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Strategic Report on pages 53 to 54.

Operating segments

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

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

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

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

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

- Group overheads, comprising central services, pensions, head office administration, in-house leasing and financing activities.

Joint ventures and associates

Joint ventures are all entities in which the Group has shared control with another entity, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Jointly ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of profits or losses is recognised in the Consolidated Statement of Comprehensive Income. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recoverable or there are further commitments to provide funding. Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in them. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the joint ventures and associates are consistent with those of the Group.

Business combinations and goodwill

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

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Subsequent changes in fair value of contingent consideration classified as a financial asset or financial liability are accounted for in accordance with IFRS 9. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised in the Consolidated Statement of Comprehensive Income as incurred.

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

Critical judgements and estimates

The critical judgements and estimates in applying the Group's Accounting Policies that have the most significant effect on the amounts recognised in the Financial Statements, apart from those noted below, relate to revenue recognition and inventories. These are referred to on pages 151 to 153 and each is interpreted by management in the light of IFRS 15 'Revenue from Contracts with Customers' and IAS 2 'Inventories'.

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

- Retirement benefit costs — the estimates used in retirement benefit costs are arrived at in conjunction with the scheme's actuary and advisers, those having the most significant impact being the liabilities discount rate, RPI and mortality rates. Note 28 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 14 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 27 to the Financial Statements gives details of the sensitivity surrounding these estimates.

Principal Accounting Policies

for the year ended 31 December 2020

Revenue recognition

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

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

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

Product and Service	Nature, timing of satisfaction of performance obligations and significant payment terms.
Construction contracts	Typically, the Group's construction contracts consist of one performance obligation, being delivery of the construction works. However, for certain contracts (for example where contracts involve separate phases or products that are not highly interrelated), multiple performance obligations exist. Where multiple performance obligations exist, total revenue is allocated to performance obligations based on the relative standalone selling prices of each performance obligation. Revenue attributed to each performance obligation is recognised over time based on the percentage of completion, as the benefit is transferred to the customer, reflecting the enhancement in value of the customer's asset. The percentage of completion is calculated as the costs incurred to date as a percentage of the total costs expected to satisfy the performance obligation. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the percentage of completion calculation in the period in which the circumstances that give rise to the revision become known. Losses are recorded in full when the unavoidable costs of fulfilling a contract exceed the economic benefits. Any revenues recognised in excess of amounts invoiced are recognised as contract assets within current assets. Any payments received in excess of revenue recognised are recognised as contract liabilities within current liabilities.
Sale of land and properties	Revenue from the sale of land and properties is generally a single performance obligation which is satisfied at the point in time when control of the land and properties has passed, typically on legal completion when legal title has transferred. Land and properties are treated as disposed when control of the asset is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion. Variable consideration such as overages are estimated based on the amount of consideration the Group expects to be entitled to, taking into account the terms which may give rise to variability and it is only recognised where it is highly probable there will not be a significant future reversal. This is estimated at contract inception and reassessed over the life of the contract. Revenue includes the fair value of consideration received or receivable on the sale of part exchange properties.
PFI Concession	Revenue from the Group's PFI concession is recognised at the point in time, by the calculation of 'shadow tolls' based on individual vehicle usage of the A69. The concession is accounted for in accordance with IFRIC 12 'Service Concession Arrangements' using the intangible asset model.
Operating leases (recognised as income under IFRS 16 'Leases')	Revenue from operating leases is recognised on a straight-line basis over the lease term, except for contingent rental income which is recognised in the period in which it was earned. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction to revenue.
Plant and equipment hire (recognised as income under IFRS 16 'Leases')	Revenue from plant and equipment hire is measured as the fair value of rental proceeds which relate to the period of account.

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

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

Estimates in determining the recognition of revenue on construction contracts over time – construction contract revenue is recognised in accordance with the stage of completion of the contract where the contract's outcome can be estimated reliably. The principal method used to recognise the stage of completion is the input method. The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract by an in-house or external survey of the work.

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

Interest income and expense

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

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

Leasing

Where the Group acts as a lessor in the case of operating leases, rentals receivable are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability: The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets: The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group's existing impairment accounting policy.

Share-based payments

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

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

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

Principal Accounting Policies

for the year ended 31 December 2020

Intangible assets excluding goodwill

Intangible assets are stated at cost less accumulated amortisation and impairment. The PFI asset which is accounted for under IFRIC 12 'Service Concession Arrangements' represents the capitalised cost of the initial project, together with the capitalised cost of any additional major works to the road and structures, which are then amortised, on a straight-line basis, over 20 years or the remaining life of the concession. The concession lasts a period of 30 years and has a further five years to run.

Property, plant and equipment

Group occupied properties are stated in the Statement of Financial Position at their revalued amounts, being the fair value, based on market values, less any subsequent accumulated depreciation or subsequent accumulated impairment loss. Fair value is determined annually by independent valuers. Surpluses on revaluations are recorded in OCI and credited to the revaluation reserve. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. 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 profit or loss in the Consolidated Statement of Comprehensive income.

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

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

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

- Equipment held for hire – between 10% and 50%
- Vehicles – between 10% and 25%
- Office equipment – between 25% and 33%

Investment property

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

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

At each subsequent reporting date, investment properties are remeasured to their fair value; further information regarding the valuation methodologies applied can be found in note 14 to the Financial Statements. Movements in fair value are included in the Consolidated Statement of Comprehensive Income.

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

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

Investment property is derecognised when it is disposed of at its carrying value.

Where specific investment properties have been identified as being for sale within the next 12 months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets classified as held-for-sale within current assets, measured in accordance with the provisions of IAS 40 'Investment Property'.

Inventories

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

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

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

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

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

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

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

Critical judgements and estimates in applying IAS 2 Inventories

The following are the critical judgements in applying accounting policies that the Directors have made in the process of applying IAS 2 Inventories and that have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

Judgement in determining the carrying value of work in progress inventory – there is often judgement involved in forecasting future costs to complete and selling prices which can be affected by market conditions and unexpected events. In determining the carrying value the Directors consider previous experience, communications with suppliers and market trends in forming their opinion. Where necessary third party advice is taken.

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, or fair value in the case of Investment Property, if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Principal Accounting Policies

for the year ended 31 December 2020

Tax

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

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

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

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

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

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

The carrying value of the Group's investment property is assumed to be realised by sale and the deferred tax is then calculated based on the respective temporary differences and tax consequences arising from this assumption.

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

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

Financial instruments

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

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

The principal financial instruments are:

- Trade and other receivables are measured initially at fair value and then amortised cost — where the time value of money is material, receivables are amortised using the effective interest rate method (see Interest income and expense on page 151). IFRS 9's simplified approach to provisioning is used to calculate the Group's lifetime expected credit loss;
- 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 151); and
- Borrowings — see below.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Borrowings

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

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

Government grants

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

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

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

Provisions

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

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

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

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

The Group regularly reviews its contract obligations and whether they are considered to be onerous. In the event that the costs of meeting the obligations exceed the economic benefits expected to be received through the life of the development, a provision would be recognised based on the lower of the cost of fulfilling the contract or terminating the contract.

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset.

Other provisions include any liabilities where the Directors anticipate that a present obligation would result in a future outflow of resources, including legal and regulatory penalties or claims, being taken into account in the Financial Statements.

Specific details of the Group's provisions relating to land promotion and road maintenance can be found in note 27.

Retirement benefit costs

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

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

Share capital

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

Dividends

The Group recognises a liability to pay a final dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. Under UK company law a distribution is authorised when it is approved by the shareholders. An interim dividend is recognised when paid. A corresponding amount is then recognised directly in equity.

Principal Accounting Policies

for the year ended 31 December 2020

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 2020:

		Effective from
Amendments to IFRS (issued 2018)	'Reference to the conceptual framework'	1 January 2020
IFRS 3 (amended 2018)	'Business Combinations'	1 January 2020
IAS 1 and IAS 8 (amended 2018)	'Definition of material'	1 January 2020
IFRS 9, IAS 39 and IFRS 7 (amended 2019)	'Interest rate benchmark reform'	1 January 2020

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

		Effective from
IFRS 16 (amended 2020)	'CV-19-related rent concessions'	1 June 2020
IFRS 4 (amended 2020)	'Extension of the temporary exemption from applying IFRS 9'	1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended 2020)	'Interest rate benchmark reform'	1 January 2021
IFRS 3 (amended 2020)	'Reference to the conceptual framework'	1 January 2022
IAS 16 (amended 2020)	'Proceeds before intended use'	1 January 2022
IAS 37 (amended 2020)	'Costs of fulfilling a contract'	1 January 2022
Annual Improvements (issued 2020)	'Annual improvements to IFRS standards 2018 - 2020'	1 January 2022
IFRS 17 (amended 2020)	'Address implementation challenges'	1 January 2023
IAS 1 (amended 2020)	'Classification of liabilities as current or non-current'	1 January 2023
IAS 1 (amended 2021)	'Disclosure of accounting policies'	1 January 2023
IAS 8 (amended 2021)	'Definition of accounting estimates'	1 January 2023

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

In 2020, 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 2020

1. Revenue

Analysis of the Group's revenue is as follows:

		Timing of revenue recognition			Timing of revenue recognition	
Activity in the United Kingdom	**2020 £'000**	**At a point in time £'000**	**Over time £'000**	2019 £'000	At a point in time £'000	Over time £'000
Construction contracts:						
– Construction[1]	**90,596**	**–**	**90,596**	81,002	–	81,002
– Property Investment and Development[2]	**33,301**	**–**	**33,301**	114,743	–	114,743
Sale of land and properties:						
– Property Investment and Development[2]	**9,964**	**9,964**	**–**	27,932	27,932	–
– Housebuilder unit sales[2]	**38,222**	**38,222**	**–**	43,861	43,861	–
– Land Promotion[3]	**20,890**	**20,890**	**–**	73,094	73,094	–
PFI concession[1]	**10,868**	**10,868**	**–**	14,518	14,518	–
Revenue from contracts with customers	**203,841**	**79,944**	**123,897**	355,150	159,405	195,745
Plant and equipment hire[1]	**14,448**			16,734		
Investment property rental income[2]	**3,280**			7,102		
Other rental income - Property Investment and Development[2]	**720**			588		
Other rental income - Land Promotion[3]	**122**			119		
	222,411			379,693		

1. Construction segment
2. Property Investment and Development segment
3. Land Promotion segment

Contingent rents recognised as investment property rental income during the year amount to £258,000 (2019: £326,000).

2. Segment information

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

During the year, the Construction segment made sales to a single external customer amounting to 22.0% (2019: 10.8%) of the Group's total revenue. This related to two high-value contracts which commenced in 2018 and continue through to 2021. The segment has a number of other contracts in progress and is not reliant on any major customer individually. In the prior year, the Property Investment and Development segment made sales to a single external customer amounting to 15.3% of the Group's total revenue. This related to a single high value contract which commenced in 2016 and continued through to 2019.

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 148 to 156.

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.

Notes to the Financial Statements

for the year ended 31 December 2020

2. Segment information continued

	2020					
Revenue	**Property Investment and Development £'000**	**Land Promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	85,487	21,012	115,912	—	—	222,411
Inter-segment sales	296	—	500	647	(1,443)	—
Total revenue	85,783	21,012	116,412	647	(1,443)	222,411
Gross profit	12,977	12,319	15,200	32	(61)	40,467
Administrative expenses and pension	(11,024)	(4,402)	(9,872)	(8,106)	61	(33,343)
Other operating income/(expense)	2,929	6,247	1,175	—	—	10,351
Operating profit/(loss)	4,882	14,164	6,503	(8,074)	—	17,475
Finance income	4,377	212	812	11,532	(16,212)	721
Finance costs	(3,638)	(390)	(638)	(2,171)	5,720	(1,117)
Profit before tax	5,621	13,986	6,677	1,287	(10,492)	17,079
Tax	1,864	(2,898)	(1,898)	(422)	—	(3,354)
Profit for the year	7,485	11,088	4,779	865	(10,492)	13,725
Other information						
Capital additions	11,960	—	2,779	631	—	15,370
Depreciation of plant, property and equipment and right-of-use assets	420	30	3,368	754	—	4,572
Impairment	—	—	2,218	—	—	2,218
Amortisation of intangible assets	—	—	570	—	—	570
Increase in fair value of investment properties	(1,266)	—	—	—	—	(1,266)
Provisions	—	129	1,209	—	—	1,338
Pension scheme credit	—	—	—	(2,233)	—	(2,233)

	Restated[1] 2019					
Revenue	Property Investment and Development £'000	Land Promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	192,225	73,213	114,255	—	—	379,693
Inter-segment sales	297	—	10,886	612	(11,795)	—
Total revenue	192,522	73,213	125,141	612	(11,795)	379,693
Gross profit	25,389	37,403	18,208	50	(68)	80,982
Administrative expenses and pension	(11,110)	(6,366)	(9,163)	(7,585)	68	(34,156)
Other operating income/(expense)	3,524	—	—	—	—	3,524
Operating profit/(loss)	17,803	31,037	9,045	(7,535)	—	50,350
Finance income	1,326	2,074	965	22,700	(26,571)	494
Finance costs	(5,701)	(1,304)	(631)	(2,884)	8,780	(1,740)
Profit before tax	13,428	31,807	9,379	12,281	(17,791)	49,104
Tax	(1,205)	(5,947)	(2,145)	(352)	—	(9,649)
Profit for the year	12,223	25,860	7,234	11,929	(17,791)	39,455
Other information						
Capital additions	13,428	43	6,768	866	—	21,105
Depreciation of plant, property and equipment and right-of-use assets	397	32	4,727	754	—	5,910
Impairment	—	—	205	—	—	205
Amortisation of intangible assets	—	—	555	—	—	555
Increase in fair value of investment properties	(2,370)	—	—	—	—	(2,370)
Provisions	—	671	1,237	—	—	1,908
Pension scheme credit	—	—	—	(1,683)	—	(1,683)

1 See change in accounting policies on page 148.

2. Segment information continued

	2020 £'000	2019 £'000
Segment assets		
Property Investment and Development[1]	217,863	198,024
Land Promotion	151,988	164,300
Construction	32,447	42,667
Group overheads	2,854	3,417
	405,152	408,408
Unallocated assets		
Deferred tax assets	7,342	4,538
Cash and cash equivalents	42,125	42,303
Total assets	454,619	455,249
Segment liabilities		
Property Investment and Development	35,292	32,321
Land Promotion	11,934	19,663
Construction	37,554	39,583
Group overheads	3,651	2,216
	88,431	93,783
Unallocated liabilities		
Current tax liabilities	1,129	4,680
Current lease liabilities	603	2,052
Current borrowings	2,941	9,981
Non-current lease liabilities	1,613	2,585
Non-current borrowings	9,969	717
Retirement benefit obligations	36,445	22,965
Total liabilities	141,131	136,763
Total net assets	313,488	318,486

1. Includes investment in joint ventures and associates of £5,840,000 (2019: £6,634,000).

3. Operating profit

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

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment (note 12)	3,585	4,661
Depreciation of right-of-use assets (note 13)	987	1,250
Impairment of goodwill included in administrative expenses (note 11)	2,218	205
Amortisation of PFI asset included in cost of sales (note 11)	570	555
Amortisation of capitalised letting fees (note 14)	30	18
Loss on sale of assets held for sale	–	56
Impairment losses recognised on trade receivables (note 18)	481	514
Low-value and short-term operating leases	68	–
Increase in fair value of investment property (note 14)	(1,266)	(2,370)
Cost of inventories recognised as expense	45,815	93,645
Employee costs	32,289	35,471
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	11	8
Gross profit on sale of equipment held for hire	(854)	(1,014)
Gain on sale of other property plant and equipment	(85)	(126)
Loss on disposal of right-of-use assets	89	34

Notes to the Financial Statements

for the year ended 31 December 2020

3. Operating profit continued

The remuneration paid to Ernst & Young LLP (2019: PricewaterhouseCoopers LLP), the Company's external auditors, was as follows:

	2020 £'000	2019 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	147	92
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	273	230
Total audit fees	420	322
Other services	—	28
Total non-audit fees	—	28
Total fees	420	350

Non-audit services in the prior year related to a review of the Group's half year results and the provision of the TSR comparator group report.

4. Employee costs

	Group		Parent Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries	22,837	26,334	3,351	3,629
Share-based payment expense	975	826	391	354
Social security costs	2,761	3,394	396	571
Defined benefit pension costs (see note 28)	2,160	2,130	(105)	119
Defined contribution pension costs (see note 28)	2,293	2,255	286	244
Other pension costs	99	90	15	12
	31,125	35,029	4,334	4,929

Included within employee costs is £820,000 of furlough grant income from the Government's Job Retention Scheme introduced in response to the CV-19 pandemic. Since the year end the Group has made repayment of all furlough grants received, further details can be found in note 36.

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

	2020 Number	2019 Number
Property Investment and Development	115	110
Land Promotion	31	33
Construction	184	182
Plant Hire	145	150
Parent Company	68	66
	543	541

5. Finance income

	2020 £'000	2019 £'000
Interest on bank deposits	292	49
Interest on other loans and receivables	220	176
Unwinding of discounting: trade receivables	209	269
	721	494

6. Finance costs

	2020 £'000	2019 £'000
Interest on bank loans and overdrafts	632	1,027
Interest on other loans and payables	119	272
Unwinding of discounting: trade payables and borrowings	366	441
	1,117	1,740

7. Tax

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on profits for the year	2,824	9,057
Adjustments in respect of earlier years	245	184
Total current tax	3,069	9,241
Deferred tax (note 19):		
Origination and reversal of temporary differences	285	408
Total deferred tax	285	408
Total tax	3,354	9,649

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the main rate of UK corporation tax would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020; deferred tax balances at the year end have been measured at 19% (2019: 17%), being the rate at which timing differences are expected to reverse.

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

	2020 £'000	2019 £'000
Profit before tax	17,079	49,104

	2020 %	2019 %
Tax at the UK corporation tax rate	19.00	19.00
Effects of:		
Permanent differences	2.60	0.14
Capital gains	1.40	0.87
Tax losses for which no deferred tax asset is recognised being £297,000 (2019: £184,000)	(1.74)	(0.16)
Adjustment in respect of earlier years	0.33	0.37
Joint venture results reported net of tax	(1.95)	(0.56)
Effective tax rate	19.64	19.66

The tax charge in the year is higher (2019: higher) than the standard rate of corporation tax predominantly due to impairment of goodwill which is ineligible for tax relief and dry tax charges on the transfer of assets from inventories to investment property offset by joint venture profits presented net of tax (2019: capital gains on the disposal of investment property).

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

	2020 £'000	2019 £'000
Deferred tax:		
– actuarial loss	3,089	1,350
Total tax recognised in other comprehensive expense	3,089	1,350

Notes to the Financial Statements

for the year ended 31 December 2020

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 16 April 2021 is £552,000 (2019: £12,350,000) and includes dividends received from subsidiaries of £7,897,000 (2019: £17,180,000).

9. Earnings per ordinary share

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

	2020 £'000	2019 £'000
Profit for the year	**13,725**	39,455
Non-controlling interests	**(1,804)**	(1,859)
Preference dividend	**(21)**	(21)
	11,900	37,575

	2020 No.	2019 No.
Weighted average number of shares in issue	**133,176,230**	133,152,616
Less shares held by the ESOP on which dividends have been waived	**(486,654)**	(537,214)
Weighted average number for basic earnings per share	**132,689,576**	132,615,402
Adjustment for the effects of dilutive potential ordinary shares	**690,392**	1,126,464
Weighted average number for diluted earnings per share	**133,379,968**	133,741,866

	2020	2019
Basic earnings per share	**9.0p**	28.3p
Diluted earnings per share	**8.9p**	28.1p

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

10. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year:		
Preference dividend on cumulative preference shares	**21**	21
Final dividend for the year ended 31 December 2019 of 1.30p per share (2018: 5.80p)	**1,724**	7,691
Interim dividend for the year ended 31 December 2020 of 2.20p per share (2019: 3.70p)	**2,919**	4,909
	4,664	12,621

The proposed final dividend for the year ended 31 December 2020 of 3.30p per share (2019: 1.30p) makes a total dividend for the year of 5.50p (2019: 5.00p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £4,400,000.

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 £1,159,000 (2019: £2,445,000).

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2019	4,973	18,199	23,172
Additions at cost	2,015	491	2,506
At 31 December 2019	6,988	18,690	25,678
Additions at cost	**—**	**283**	**283**
Disposals at cost	**(2,015)**	**—**	**(2,015)**
At 31 December 2020	**4,973**	**18,973**	**23,946**
Accumulated impairment losses and amortisation			
At 1 January 2019	2,916	15,179	18,095
Amortisation	—	555	555
Impairment losses for the year	205	—	205
At 31 December 2019	3,121	15,734	18,855
Amortisation	**—**	**570**	**570**
Impairment losses for the year	**2,218**	**—**	**2,218**
Eliminated on disposal	**(2,015)**	**—**	**(2,015)**
At 31 December 2020	**3,324**	**16,304**	**19,628**
Carrying amount			
At 31 December 2020	**1,649**	**2,669**	**4,318**
At 31 December 2019	3,867	2,956	6,823
At 31 December 2018	2,057	3,020	5,077

The Group's acquisition of the trade and assets of Premier Plant Tool Hire & Sales Limited were immediately hived up into the immediate parent company Banner Plant Limited, which sits in the Construction segment. The goodwill arising on the acquisition, which has a current net book value of £903,000 (2019: £903,000), represents the excess of consideration over net assets acquired and is subject to an impairment test at the reporting date. The cash generating units assessed for impairment are the Leicester depots of Banner Plant Limited, which were formerly Premier Plant Tool Hire & Sales Limited's only operational sites. Impairment calculations use pre-tax cash flow projections including revenue growth of 3.0% per annum into perpetuity which reflects past experience and management's future expectations. Management estimates discount rates that reflect current market assessments of the time value of money and risk specific to the cash generating unit of 3.5%.

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition which has a current net book value of £746,000 (2019: £949,000) represents the excess of consideration over net assets acquired and is subject to an impairment test at the reporting date. This company's subsidiary, Road Link (A69) Limited, operates a PFI concession which comprises managing and maintaining the A69 Carlisle to Newcastle trunk road. The Company receives payment from Highways England based on the number and type of vehicles using the road. The concession lasts for a period of 30 years and has a further five years to run, at the end of which the road reverts to Highways England. Whilst the impairment test demonstrates significant headroom based on forecast levels of return being consistent with prior years, an impairment charge of £203,000 (2019: £205,000) has been recognised during the year. This reflects the fact that the PFI concession will revert to Highways England at the end of the 30-year period, at which point no goodwill should remain. There were no significant changes to these arrangements during the year.

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

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

In 2019, the Group acquired the entire share capital of Starfish Commercial Ltd which sits in the Construction segment. Further information on the acquisition can be found in note 35. The goodwill arising on the acquisition, which had a net book value of £2,015,000, was fully impaired in the year and disposed of following the decision by the Directors to place Starfish Commercial Ltd into voluntary liquidation.

Notes to the Financial Statements

for the year ended 31 December 2020

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 2019	8,242	38,968	5,932	3,925	57,067
Additions at cost	4	3,700	1,343	255	5,302
Acquisition of subsidiary	—	—	—	22	22
Disposals	—	(2,934)	(1,205)	(892)	(5,031)
Transfers to right-of-use asset	—	(4,059)	(626)	—	(4,685)
Decrease in fair value in year	(404)	—	—	—	(404)
At 31 December 2019	7,842	35,675	5,444	3,310	52,271
Additions at cost	**131**	**2,201**	**707**	**86**	**3,125**
Disposals	**—**	**(2,780)**	**(932)**	**(129)**	**(3,841)**
Transfers from right-of-use asset[1]	**—**	**4,789**	**616**	**—**	**5,405**
Decrease in fair value in year	**(651)**	**—**	**—**	**—**	**(651)**
At 31 December 2020	**7,322**	**39,885**	**5,835**	**3,267**	**56,309**
Being:					
Cost	**—**	**39,885**	**5,835**	**3,267**	**48,987**
Fair value at 31 December 2020	**7,322**	**—**	**—**	**—**	**7,322**
	7,322	**39,885**	**5,835**	**3,267**	**56,309**
Accumulated depreciation and impairment					
At 1 January 2019	342	24,888	2,819	2,857	30,906
Charge for year	—	3,353	791	517	4,661
Transfer to right-of-use asset	—	(803)	(65)	—	(868)
Eliminated on disposals	—	(2,585)	(997)	(861)	(4,443)
At 31 December 2019	342	24,853	2,548	2,513	30,256
Charge for year	**85**	**2,235**	**822**	**443**	**3,585**
Transfer from right-of-use asset[1]	**—**	**1,781**	**195**	**—**	**1,976**
Eliminated on disposals	**—**	**(2,475)**	**(723)**	**(128)**	**(3,326)**
At 31 December 2020	**427**	**26,394**	**2,842**	**2,828**	**32,491**
Carrying amount					
At 31 December 2020	**6,895**	**13,491**	**2,993**	**439**	**23,818**
At 31 December 2019	7,500	10,822	2,896	797	22,015
At 31 December 2018	7,900	14,080	3,113	1,068	26,161

1 Right-of-use assets are transferred to property, plant and equipment where the lease obligation has been settled and the Group retains ownership of the asset.

At 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,437,000 (2019: £898,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2020 by Jones Lang LaSalle Limited and Dove Haigh Phillips LLP in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £6,895,000 (2019: £7,500,000). Jones Lang LaSalle Limited and Dove Haigh Phillips LLP are professional valuers who hold recognised and professional qualifications and have recent experience in the location and category of the land and buildings being valued.

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

On the historical cost basis, the land and buildings would have been included at a carrying amount of £4,554,000 (2019: £4,507,000).

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	**2020 £'000**	2019 £'000	**Decrease in year £'000**
Freehold land	—	—	60	**60**	60	**—**
Buildings	—	—	6,835	**6,835**	7,440	**(605)**
Total fair value	—	—	6,895	**6,895**	7,500	**(605)**

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

Explanation of the fair value hierarchy:

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

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

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

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

Class		Buildings
Valuation technique		Yield
Rental value per sq ft (£)	– weighted average	6.41
	– low	2.34
	– high	16.25
Yield %	– weighted average	8.86
	– low	6.75
	– high	15.23

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%	415
Rental value per sq ft – increase of £1 average	1,130

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

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12. Property, plant and equipment continued

Parent Company	Office equipment £'000
Cost	
At 1 January 2019	1,030
Additions	84
Disposals	(100)
At 31 December 2019	1,014
Additions	**54**
Disposals	**—**
At 31 December 2020	**1,068**
Accumulated depreciation	
At 1 January 2019	571
Charge for year	209
Disposals	(97)
At 31 December 2019	683
Charge for year	**203**
Disposals	**—**
At 31 December 2020	**886**
Carrying amount	
At 31 December 2020	**182**
At 31 December 2019	331
At 31 December 2018	459

13. Leases

	Group		Parent Company	
	2020	2019	**2020**	2019
Right-of-use assets	**£'000**	£'000	**£'000**	£'000
Land and buildings	**1,655**	1,787	**—**	—
Equipment held for hire	**—**	3,866	**—**	—
Vehicles	**8**	—	**48**	70
Office equipment	**447**	432	**89**	90
	2,110	6,085	**137**	160
Lease liabilities				
Due within one year	**603**	2,052	**54**	57
Due after more than one year	**1,613**	2,585	**86**	108
	2,216	4,637	**140**	165
Contractual maturities of lease liabilities including future interest:				
On demand or within one year	**654**	2,154	**57**	61
In the second year	**655**	1,825	**49**	89
In the third to fifth years inclusive	**901**	609	**39**	22
In more than five years	**151**	277	**—**	—
Total contractual cash flows	**2,361**	4,865	**145**	172
Future finance charges on lease liabilities	**(145)**	(228)	**(5)**	(7)
Present value of contractual cash flows	**2,216**	4,637	**140**	165

Additions to the right-of-use assets during the 2020 financial year were £512,000 (2019: £1,347,000) for the Group and £37,000 (2019: £32,000) for the Parent Company.

13. Leases continued

The statement of profit or loss shows the following amounts relating to leases:

	Group		Parent Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Depreciation charge of right-of-use assets				
Land and buildings	**434**	428	**–**	–
Equipment held for hire	**436**	734	**–**	–
Vehicles	**10**	–	**32**	36
Office equipment	**107**	88	**24**	24
	987	1,250	**56**	60
Interest expense (included in finance cost)	**91**	73	**5**	5

The total cash outflow for leases in 2020 was £3,024,000 (2019: £1,420,000) for the Group and £67,000 (2019: £96,000) for the Parent Company.

The Group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 4 to 10 years and may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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13. Leases continued

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture (note 3).

14. 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	**2020 £'000**	2019 £'000	Increase/ (decrease) in year £'000
Completed investment property						
Industrial	—	—	31,550	**31,550**	15,900	15,650
Leisure	—	—	9,427	**9,427**	11,044	(1,617)
Mixed-use	—	—	7,260	**7,260**	8,823	(1,563)
Residential	—	—	4,106	**4,106**	3,704	402
Office	—	—	11,450	**11,450**	12,000	(550)
Retail	—	—	14,937	**14,937**	10,293	4,644
	—	—	78,730	**78,730**	61,764	16,966
Investment property under construction						
Industrial	—	—	1,629	**1,629**	3,634	(2,005)
Land	—	—	—	**—**	714	(714)
Retail	—	—	2,364	**2,364**	3,890	(1,526)
	—	—	3,993	**3,993**	8,238	(4,245)
Total carrying amount	—	—	82,723	**82,723**	70,002	12,721

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.

14. Investment properties continued

Explanation of the fair value hierarchy:

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

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

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

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

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

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

Completed investment property

Class	Industrial Level 3	Leisure Level 3	Mixed-use Level 3	Residential Level 3	Office Level 3	Retail Level 3	**2020**	2019
Fair value hierarchy	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Carrying value								
At 1 January	15,900	11,044	8,823	3,704	12,000	10,293	**61,764**	117,560
Subsequent expenditure on investment property	35	15	92	—	47	4	**193**	2,284
Capitalised letting fees	—	—	—	—	90	—	**90**	115
Amortisation of capitalised letting fees	—	(9)	(19)	—	—	(2)	**(30)**	(18)
Disposals	—	—	—	(8)	—	—	**(8)**	(20,217)
Transfers to assets held for sale	—	—	—	—	—	—	**—**	(43,844)
Transfer from inventory	245	—	—	—	—	—	**245**	—
Transfers from investment property under construction	12,240	—	—	—	—	4,800	**17,040**	4,500
Increase/(decrease) in fair value in year	3,130	(1,623)	(1,636)	410	(687)	(158)	**(564)**	1,384
At 31 December	31,550	9,427	7,260	4,106	11,450	14,937	**78,730**	61,764
Adjustment in respect of tenant incentives	—	233	40	—	—	288	**561**	465
Market value at 31 December	31,550	9,660	7,300	4,106	11,450	15,225	**79,291**	62,229

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14. Investment properties continued

There is no actively traded market for the Group's commercial property and as such the adopted valuation is completed using the professional judgement of the Group's professional valuers, who use the yield method to determine fair value. The calculation of the capital value of a property under this method uses a yield to multiple against the rental income stream with due allowance for a fixed assumed purchaser's cost. The primary variables of the yield method are thus: the yield, which is based on historic yields for properties that are similar but to which there may be adjustment to take into account, factors such as geographical location and lease terms; and the contracted rent, which is based on contracted rents that exist at the balance sheet date, but may also include a provision for rents that may be achieved in the future after accounting for a period of vacancy, such rents being based on rental income terms that exist in similar properties, adjusted for geographic location and lease terms.

With the exception of the residential class, completed investment property has been revalued at 31 December 2020 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 £75,185,000 (2019: £58,525,000). Jones Lang LaSalle Limited are professional valuers who hold recognised and professional qualifications and have recent experience in the location and category of the investment property being valued. The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the yield method valuation technique. The yield method of valuation involves applying market-derived capitalisation yields, and the actual or market-derived future income streams where appropriate, with adjustments for letting voids or rent-free periods as applicable to each property. For all completed 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 2020 has been determined by the Directors of the Company at £4,106,000 (2019: £3,704,000). 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):

		2020					
Class		**Industrial**	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£)	– weighted average	**4.14**	**14.96**	**26.61**	**–**	**24.33**	**15.10**
	– low	**0.56**	**1.67**	**7.50**	**–**	**19.46**	**10.00**
	– high	**8.70**	**45.05**	**63.39**	**–**	**26.50**	**21.40**
Yield %	– weighted average	**5.20**	**6.25**	**8.75**	**–**	**8.38**	**5.42**
	– low	**2.48**	**5.20**	**9.65**	**–**	**5.92**	**4.83**
	– high	**6.27**	**8.93**	**12.00**	**–**	**10.81**	**9.00**
% discount applied to houses held under assured tenancies		**–**	**–**	**–**	**25.00**	**–**	**–**

		2019					
Class		Industrial	Leisure	Mixed-use	Residential	Office	Retail
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£)	– weighted average	3.97	12.40	36.21	–	22.87	15.86
	– low	3.75	1.67	7.50	–	24.00	11.00
	– high	5.50	45.05	63.39	–	25.00	21.40
Yield %	– weighted average	6.26	4.49	9.78	–	7.86	5.62
	– low	5.14	5.32	6.25	–	6.34	4.80
	– high	8.64	7.86	12.00	–	7.00	7.50
% discount applied to houses held under assured tenancies		–	–	–	25.00	–	–

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

14. Investment properties continued

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

	Impact on valuation 2020 £'000					
	Industrial	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Yield – improvement by 0.5%	**2,930**	**731**	**398**	**—**	**708**	**1,464**
Rental value per sq ft – increase by £1 average	**8,409**	**663**	**277**	**—**	**510**	**1,097**
Tenancy discount – increase by 1%	**—**	**—**	**—**	**50**	**—**	**—**

	Impact on valuation 2019 £'000					
	Industrial	Leisure	Mixed-use	Residential	Office	Retail
Yield – improvement by 0.5%	1,298	1,117	436	—	772	1,029
Rental value per sq ft – increase by £1 average	3,935	847	248	—	556	759
Tenancy discount – increase by 1%	—	—	—	50	—	—

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

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £3,280,000 (2019: £7,102,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £608,000 (2019: £1,142,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £179,000 (2019: £183,000).

At 31 December 2020, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £310,000 (2019: £nil).

Investment property under construction

Class	Industrial Level 3	Land Level 3	Retail Level 3	**2020**	2019
Fair value hierarchy	£'000	£'000	£'000	**£'000**	£'000
Carrying value					
At 1 January	3,634	714	3,890	**8,238**	3,415
Subsequent expenditure on investment property	8,386	—	3,247	**11,633**	10,895
Capitalised letting fees	46	—	—	**46**	5
Disposals	—	(714)	—	**(714)**	(2,563)
Transfers to completed investment property	(12,240)	—	(4,800)	**(17,040)**	(4,500)
Increase in fair value in year	1,803	—	27	**1,830**	986
At 31 December	1,629	—	2,364	**3,993**	8,238
Adjustment in respect of tenant incentives	—	—	—	**—**	—
Market value at 31 December	1,629	—	2,364	**3,993**	8,238

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14. Investment properties continued

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

		2020		
Class		**Industrial**	**Land**	**Retail**
Valuation technique		Residual	Sales comparison	Residual
Rental value per sq ft (£)	– weighted average	**2.28**	**–**	**1.46**
	– low	**2.28**	**–**	**1.46**
	– high	**2.28**	**–**	**1.46**
Yield %	– weighted average	**5.20**	**–**	**5.00**
	– low	**5.20**	**–**	**5.00**
	– high	**5.20**	**–**	**5.00**
Cost to complete per sq ft (£)	– weighted average	**29.95**	**–**	**6.08**
	– low	**29.95**	**–**	**6.08**
	– high	**29.95**	**–**	**6.08**
Land value per acre (£'000)	– weighted average	**–**	**–**	**–**
	– low	**–**	**–**	**–**
	– high	**–**	**–**	**–**

		2019		
Class		Industrial	Land	Retail
Valuation technique		Residual	Sales comparison	Residual
Land value per acre (£'000)	– weighted average	—	487	1,271
	– low	—	99	1,271
	– high	—	2,168	1,271

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

	Impact on valuation 2020 £'000		
	Industrial	**Land**	**Retail**
Yield – improvement by 0.5%	**669**	**–**	**300**
Rental value per sq ft – increase by £1 average	**1,588**	**–**	**1,104**
Cost to complete – increased by 1%	**200**	**–**	**130**
Land value per acre – increase by 5%	**–**	**–**	**–**

	Impact on valuation 2019 £'000		
	Industrial	Land	Retail
Land value per acre – increase by 5%	—	217	194

Investment properties under construction are developments which have been valued at 31 December 2020 at fair value by the Directors of the Company using the residual method at £3,993,000 (2019: £8,238,000). 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.

15. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2019, 31 December 2019 and 31 December 2020	**38,021**
Adjustments	
At 1 January 2019	(3,935)
Reversal of provisions for losses	3,935
At 31 December 2019	—
Reversal of provisions for losses	—
At 31 December 2020	**—**
Carrying amount	
At 31 December 2020	**38,021**
At 31 December 2019	38,021
At 31 December 2018	34,086

The improved net assets position of Henry Boot Developments in the prior year gave rise to the reversal of provisions for losses previously recognised. The impairment reversals were included in the Parent Company's profit and loss.

Amounts due from and to subsidiary companies are listed in notes 18 and 23 and details of all subsidiary companies are listed in note 38. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of:

- Road Link (A69) Holdings Limited and its subsidiary Road Link (A69) Limited which is 61.2% owned by Henry Boot Construction Limited;
- Plot 7 East Markham Vale Management Company Limited which is owned by, and under board control of, Henry Boot Developments Limited;
- Capitol Park Property Services Limited which is 5% owned by, and under board control of, Henry Boot Developments Limited; and
- Stonebridge Homes Group Limited and its wholly owned subsidiaries (as indicated in note 38) which is 50% owned by, and under board control of (by virtue of majority voting rights), Henry Boot Land Holdings Limited.

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

16. Investment in joint ventures and associates

	2020			2019		
Group	**Joint ventures £'000**	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Cost						
At 1 January	**6,567**	**67**	**6,634**	5,119	1,567	6,686
Share of profit for the year	**1,671**	**85**	**1,756**	1,448	—	1,448
Dividends received	**(2,200)**	**—**	**(2,200)**	—	—	—
Disposals	**(350)**	**—**	**(350)**	—	(1,500)	(1,500)
At 31 December	**5,688**	**152**	**5,840**	6,567	67	6,634

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

	2020			2019		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Investment property	**12,656**	**—**	**12,656**	7,420	—	7,420
Current assets	**16,611**	**154**	**16,765**	16,623	99	16,722
Non-current assets	**1**	**2**	**3**	—	7	7
Total assets	**29,268**	**156**	**29,424**	24,043	106	24,149
Current liabilities	**(20,321)**	**(4)**	**(20,325)**	(14,203)	(39)	(14,242)
Non-current liabilities	**(3,259)**	**—**	**(3,259)**	(3,273)	—	(3,273)
Net investment	**5,688**	**152**	**5,840**	6,567	67	6,634

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16. Investment in joint ventures and associates continued

	2020			2019		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Revenue	**17,927**	**85**	**18,012**	27,815	115	27,930
Administration and other expenses	**(16,198)**	**—**	**(16,198)**	(26,478)	(11)	(26,489)
Increase in fair value of investment properties	**103**	**—**	**103**	229	—	229
Operating profit	**1,832**	**85**	**1,917**	1,566	104	1,670
Finance costs	**(185)**	**—**	**(185)**	(103)	(65)	(168)
Profit before tax	**1,647**	**85**	**1,732**	1,463	39	1,502
Tax	**24**	**—**	**24**	(15)	(39)	(54)
Share of profits after tax	**1,671**	**85**	**1,756**	1,448	—	1,448

Details of the Group's investments in joint ventures and associates are listed in note 38.

Material joint ventures and associates

The Directors considers Pennine Property Partnership LLP to be the only material joint venture or associate they hold an interest in. Pennine Property Partnership LLP is a property development joint venture between the Group and Calderdale and Huddersfield NHS Foundation Trust, the LLP is incorporated in England and the Group has ownership of 50%. The joint venture is accounted for using the equity method of accounting.

The table below provides summarised financial information for Pennine Property Partnership LLP. The information disclosed reflects the amounts presented in the financial statements of Pennine Property Partnership LLP and not the Group's share of those amounts.

Summarised balance sheet

	Pennine Property Partnership LLP	
	2020 £'000	2019 £'000
Investment properties (non-current)	**15,045**	14,838
Inventories	**146**	146
Trade and other receivables	**235**	3,294
Cash and cash equivalents	**475**	4,207
Trade and other payables	**(4,377)**	(5,515)
Borrowings (non-current)	**(2,568)**	(6,546)
Net assets	**8,956**	10,424
Reconciliation to carrying amount:		
Opening net assets 1 January	**10,424**	7,722
Profit for the period	**710**	2,776
Other distribution	**(2,178)**	(74)
Closing net assets	**8,956**	10,424
Group's share in %	**50%**	50%
Group's share in £	**4,478**	5,212
Carrying amount	**4,478**	5,212

Summarised statement of comprehensive income

	2020 £'000	2019 £'000
Revenue	**745**	6,675
Profit for the year	**710**	2,776

17. Contract assets

	2020 £'000	2019 £'000
Construction contracts – Construction segment	2,051	2,327
Construction contracts – Property Investment and Development segment	11,277	16,758
	13,328	19,085
Due within one year	13,328	19,085
Due after more than one year	—	—
	13,328	19,085

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

Contract assets have decreased as the Group has provided fewer services ahead of the agreed billing schedule.

There were no significant impairment losses recognised on any contract asset in the reporting period (2019: £nil).

The Group does not recognise any assets arising from the costs incurred to obtain a contract as the related amortisation period would have been less than one year.

18. Trade and other receivables

	Group		Parent Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	53,269	87,112	265	307
Loss allowance	(691)	(724)	—	—
Prepayments	4,987	6,723	891	1,053
Amounts owed by joint ventures and associates	14,661	14,904	—	—
Amounts owed by Group undertakings	—	—	134,484	127,004
	72,226	108,015	135,640	128,364
Due within one year	65,032	90,777	135,640	128,364
Due after more than one year	7,194	17,238	—	—
	72,226	108,015	135,640	128,364

Amounts due after more than one year relate to trade receivables. Amounts are discounted to present value and are due for payment between January 2022 by June 2023.

Group

Movement in the trade receivables loss allowance

	2020 £'000	2019 £'000
At 1 January	724	424
Impairment losses recognised	481	514
Amounts written off as uncollectable	(214)	(11)
Amounts recovered during the year	—	(19)
Impairment losses reversed	(300)	(184)
At 31 December	691	724

The loss allowance as at 31 December 2020 and 31 December 2019 for trade receivables was determined as follows:

2020

	Expected loss rate %	Gross carrying amount £'000	Loss allowance £'000
0-30 days	0.8%	46,800	381
30–60 days	0.9%	2,810	25
60–90 days	4.2%	359	15
90–120 days	14.0%	114	16
120+ days	8.0%	3,186	254
		53,269	691

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18. Trade and other receivables continued

2019

	Expected loss rate %	Gross carrying amount £'000	Loss allowance £'000
0-30 days	0.4%	81,826	295
30–60 days	2.9%	1,281	37
60–90 days	1.7%	1,723	29
90–120 days	20.3%	133	27
120+ days	15.6%	2,149	336
		87,112	724

The Directors consider that the carrying amount of trade and other receivables of the Group and Parent Company approximates to their fair value.

Parent Company

Amounts owed by Group undertakings are repayable on demand, unsecured and are stated net of provisions for impairment of £1,584,000 (2019: £5,402,000), of which £3,000 (2019: £3,654,000) has been provided in the year, £166,000 (2019: £180,000) has been recovered in the year and £3,655,000 (2019: £nil) was written off. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. Where there are insufficient liquid assets the Parent Company considers the expected manner of recovery to measure expected credit losses. This might be a 'repay over time' strategy, or a fire sale of less liquid assets. Interest is charged annually at 2.85% (2019: 3.50%).

The Parent Company has no significantly impaired trade receivables.

Credit risk

The Group's principal financial assets are bank balances and cash, contract assets 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 loss allowances for doubtful receivables, estimated by the Group's management based on prior experience and forward-looking assessments of the economic environment in accordance with IFRS 9 'Financial Instruments'.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

19. Deferred tax

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

Group	Accelerated capital allowances £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 1 January 2019	465	2,839	183	3,487
Acquisition of subsidiary (note 36)	—	—	109	109
Recognised in income	(213)	(285)	90	(408)
Recognised in other comprehensive income	—	1,350	—	1,350
At 31 December 2019	252	3,904	382	4,538
Recognised in income	**(167)**	**(69)**	**(49)**	**(285)**
Recognised in other comprehensive income	**—**	**3,089**	**—**	**3,089**
At 31 December 2020	**85**	**6,924**	**333**	**7,342**
Parent Company				
At 1 January 2019	41	2,839	235	3,115
Recognised in income	10	(285)	65	(210)
Recognised in other comprehensive income	—	1,350	—	1,350
At 31 December 2019	51	3,904	300	4,255
Recognised in income	**17**	**(69)**	**55**	**3**
Recognised in other comprehensive income	**—**	**3,089**	**—**	**3,089**
At 31 December 2020	**68**	**6,924**	**355**	**7,347**

19. Deferred tax continued

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 £1,596,000 (2019: £2,057,000). 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.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the main rate of UK corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As a result deferred tax balances at the year end have been measured at 19% (2019: 17%), being the rate at which timing differences are expected to reverse. Management do not expect any significant reversal of deferred tax assets or liabilities in the next 12 months.

20. Inventories

	2020 £'000	2019 £'000
Property developments in progress	**44,368**	31,684
Housebuilder land and work in progress	**39,192**	36,339
Land held for development or sale	**57,898**	50,716
Options to purchase land	**14,757**	14,913
Planning promotion agreements	**44,574**	36,097
	200,789	169,749

Within property developments in progress £909,000 (2019: £888,000) has been written down and recognised as an expense in the year. These costs relate to development projects no longer likely to proceed. Within land held for development or sale, options to purchase land and planning promotion agreements £1,434,000 (2019: £712,000) 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.

21. 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. The gain recognised after measurement at fair value to sell on the transfer of assets during the year was £nil (2019: £2,463,000).

Assets classified as held for sale comprise the following:

	Investment property	
	2020 £'000	2019 £'000
Fair value		
At 1 January	**–**	–
Transfer from investment property (note 14)	**–**	43,844
Disposals	**–**	(43,844)
At 31 December	**–**	–
Adjustment in respect of tenant incentives	**–**	–
Market value at 31 December	**–**	–

Assets classified as held for sale have been valued at 31 December 2020 at fair value by the Directors of the Company at £nil (2019: £nil).

22. Contract liabilities

	2020 £'000	2019 £'000
Construction contracts – Construction segment	**7,280**	9,529
Construction contracts – Property Investment and Development segment	**150**	347
	7,430	9,876
Due within one year	**7,430**	9,876

	2020 £'000	2019 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Construction contracts – Construction segment	**9,433**	2,673
Construction contracts – Property Investment and Development segment	**–**	–
Revenue recognised from performance obligations satisfied in previous periods		
Construction contracts – Construction segment	**–**	–
Construction contracts – Property Investment and Development segment	**–**	–

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

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23. Trade and other payables

	Group		Parent Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade payables	**62,076**	61,315	**1,255**	1,394
Social security and other taxes	**4,665**	8,826	**371**	470
Accrued expenses	**3,549**	1,844	**1,616**	345
Deferred income	**4,072**	3,684	**—**	—
Amounts owed to joint venture and associates	**711**	1,242	**—**	—
Amounts owed to Group undertakings	**—**	—	**89,868**	80,752
	75,073	76,911	**93,110**	82,961
Due within one year	**72,727**	70,763	**93,110**	82,961
Due after more than one year	**2,346**	6,148	**—**	—
	75,073	76,911	**93,110**	82,961

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

Amounts due after more than one year include £1,873,000 (2019: £1,986,000) of deferred income and £473,000 (2019: £4,162,000) of trade payables.

Parent Company

Amounts owed to Group undertakings are repayable on demand, unsecured and bear interest at 2.85% (2019: 2.0%).

24. Government grants

Government grants have been received in relation to the infrastructure of one of the Group's land promotions, one of the Group's property developments and furlough grant income from the Government's Coronavirus Job Retention Scheme.

Grant income received relating to revenue grants are included within deferred income and released to the Consolidated Statement of Comprehensive Income on a systematic basis to match the costs it is intended to compensate. There are no unfulfilled conditions or contingencies attached to the grants that have been recognised.

Amounts credited to the Consolidated Statement of Comprehensive Income during the year were £820,000 (2019: £250,000).

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

Since the year end the Group has made repayment of all furlough grants received. Further details can be found in note 36.

25. Capital risk management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and have the resources to provide returns for shareholders and benefits for other stakeholders; and
- To maximise returns to shareholders by allocating capital across our businesses based on the level of expected return and risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and cash equivalents and at 31 December 2020 this was £nil (2019: £nil). Equity comprises all components of equity and at 31 December 2020 this was £313.5m (2019: £318.5m).

During 2020 the Group's strategy, was to maintain the debt to equity ratio below 30% (2019: 30%). This level was chosen to ensure that we can access debt relatively easily and inexpensively if required.

In January 2020, the Group concluded negotiations with three banking partners to put in place a £75m facility to replace the £72m facility we had in place at 31 December 2019. The renewed facilities commenced on 23 January 2020, with a renewal date of 23 January 2023 and an option to extend the facilities 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. On 19 January 2021 the banks agreed to the Group's request to extend the facility to 23 January 2024. The facilities were undrawn at 31 December 2020 and at 31 December 2019.

The Group's secured bank facilities are subject to covenants over loan-to-market value of investment properties, interest cover, EBIT cover, gearings and minimum consolidated tangible assets value. The Group has other bank debt on which there are also covenant requirements. The Group operated comfortably within all of its requirements throughout the year and continues to do so over forecast periods.

The Group's capital risk management disclosures are consistent with the parent company.

26. Borrowings

	Group		Parent Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bank overdrafts	**—**	—	**1,421**	1,012
Bank loans	**9,969**	7,757	**—**	—
Government loans	**2,941**	2,941	**—**	—
	12,910	10,698	**1,421**	1,012
Due within one year	**2,941**	9,981	**1,421**	1,012
Due after one year	**9,969**	717	—	—
	12,910	10,698	**1,421**	1,012
Contractual maturities of borrowings, including future interest, as follows:				
On demand or within one year	**3,195**	10,172	**1,421**	1,012
In the second year	**9,969**	703	**—**	—
In the third to fifth years inclusive	**—**	64	**—**	—
	13,164	10,939	**1,421**	1,012
Due within one year	**3,195**	10,172	**1,421**	1,012
Due after one year	**9,969**	767	**—**	—
	13,164	10,939	**1,421**	1,012

The weighted average interest rates paid were as follows:

	2020	2019
	%	%
Bank overdrafts	**1.56**	2.30
Bank loans – floating rate	**—**	2.41
Bank loans – floating rate (relating to Stonebridge Offices Limited)	**—**	3.54
Bank loans – floating rate (relating to Stonebridge Homes Limited)	**2.24**	2.87
Government loans	**—**	0.07

Bank overdrafts are repayable on demand.

Borrowings are recognised at amortised cost.

Liquidity risk

The Company's objectives when managing liquidity are:

- To safeguard the Group's ability to meet expected and unexpected payment obligations at all times; and
- To maximise the Group's profitability.

Interest on floating rate borrowings is arranged for periods from one to six months. These borrowings are secured by a fixed and floating charge over the assets of the Group excluding those of Road Link (A69) Limited, Stonebridge Offices Limited and Stonebridge Homes Limited.

The Stonebridge Offices Limited bank loan is secured by a specific charge over the freehold property of that company and is without recourse to the rest of the Group. The loan was renewed on 11 December 2018 at a value of £2,512,000 and is repayable in quarterly instalments of £37,500 that commenced on 11 December 2018, with full and final settlement becoming due on 10 December 2021. Following the disposal of investment property this loan was settled in full on 16 December 2019.

The Stonebridge Homes Limited revolving loan facility is secured by a specific charge over the freehold property of that company and is guaranteed by Henry Boot PLC. The loan can be drawn against on a monthly basis and was first drawn against on 22 April 2016. The loan is repayable from the proceeds of residential house sales with full and final settlement becoming due on 24 January 2022. On 25 January 2019 the Stonebridge Homes facility was increased to £10,000,000 with full and final settlement becoming due on 24 January 2022. On 22 December 2020, the loan facility was amended so that the proceeds of residential house sales are no longer set off the loan balance.

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26. 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 £nil (2019: £nil).

Government loans from the Homes and Communities Agency (HCA) were issued with a fixed level of interest of £254,000 (2019: £254,000); their fair values are £2,941,000 (2019: £2,941,000) (Education Campus) and £nil (2019: £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 during 2013, being three years after the quarter date of the construction completion of the first residential unit. Repayments of £nil (2019: £231,000) were made during the year. The repayments are calculated at £8,000 per residential unit, are linked to the Land Registry House Price Index and are subject to certain minimum repayment amounts.

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

Repayment of the Education Campus HCA loan commenced upon the occupation of the first dwelling and follows for each occupation thereafter until the total contribution sum is repaid in full. Repayments of £nil (2019: £15,000) were made during the year. The repayments are calculated at £8,587 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). The base figure of £8,587 is reviewed following the occupation of the first 300 dwellings and every 300 dwellings thereafter in addition to every second anniversary of the loan agreement date and any date after 2022 following notice served from the HCA. If the HCA is not satisfied that the base rate will guarantee repayment of the total contribution sum before the completion of the last residential unit, it has the right to increase the base figure accordingly. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

Repayment of the Phase II Road Infrastructure HCA loan commenced during 2015 upon the occupation of the 1,151st dwelling. Repayments of £nil (2019: £408,000) were made during the year. The repayments are calculated at £3,675 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). If the relevant number of dwellings is not met by 31 December of each year until 2019, advance payments will be required. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Based on approximate average borrowings during 2020, a 0.5% (2019: 0.5%) change in interest rates, which the Directors consider to be a reasonably possible change, would affect profitability before tax by £4,000 (2019: £79,000).

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

At 31 December 2020, the Group had available £75,000,000 (2019: £72,000,000) undrawn committed borrowing facilities.

27. Provisions

	Land promotion £'000	Road maintenance £'000	Total £'000
At 1 January 2020	5,315	1,681	6,996
Included in current liabilities	3,634	1,681	5,315
Included in non-current liabilities	1,681	—	1,681
	5,315	1,681	6,996
Additional provisions in year	**129**	**1,209**	**1,338**
Utilisation of provisions	**(1,508)**	**(898)**	**(2,406)**
At 31 December 2020	**3,936**	**1,992**	**5,928**
Included in current liabilities	**2,860**	**1,992**	**4,852**
Included in non-current liabilities	**1,076**	**—**	**1,076**
	3,936	**1,992**	**5,928**

The land promotion provision represents management's best estimate of the Group's liability to provide infrastructure and service obligations, which remain with the Group following the disposal of land. The provision is calculated using the present value of the estimated cash flows required to settle the present obligations, pro rata on an acreage allocation basis where disposals occur over a number of phases, such that provisions are only made in relation to the land which has been disposed of. Based on a 1.0% change in the discount rate and a 5.0% change in the estimated cash outflows, both of which the Directors consider to be a reasonably possible change, land promotion provisions would change and affect profitability before tax by £51,000 and £193,000 respectively (2019: £72,000 and £265,000).

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

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset. Based on a 5.0% change in the estimated cash outflows, which the Directors consider to be a reasonably possible change, the road maintenance provision would change and affect profitability before tax by £171,000 (2019: £179,000).

Off balance sheet arrangements

The Group is currently undertaking the infrastructure of land promotions at Bridgwater and Cranbrook, spanning 122 and 53 acres respectively (2019: 122 and 53). The Group is liable for various planning and infrastructure obligations required to be met under section agreements imposed by the local Councils. The Group shares its planning and infrastructure obligations relating to the Cranbrook site with two other parties, the Group's share being 30%. These shared obligations are secured by performance bonds and legal charges. The Group deems the possibility of default by the other parties as highly remote. The infrastructure of these developments is anticipated to continue until 2020 and 2025 respectively, with costs being incurred throughout these periods.

The Group has historically disposed of 117 and 35 acres respectively (2019: 117 and 35), and has subsequently recognised provisions to the value of £3,845,000 (2019: £5,316,000), being the Group's best estimate of the consideration required to settle the present obligations at the reporting date. Subsequent disposals are expected to occur over a number of phases; provisions are made in relation to the land which has been disposed of. The present value of the estimated cash flows relating to future disposals, amounting to £1,369,000 (2019: £1,772,000), has therefore not been recognised in these Financial Statements.

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28. Retirement benefit obligations

Defined contribution pension plan

The Group operates a defined contribution pension plan for all qualifying employees. The plan is administered and managed by Aviva and the Group matches member contributions, providing a minimum of 5% (2019: 5%) of salary is paid by the employee, on a pound-for-pound basis up to a maximum of 8%.

The total cost charged to income of £2,293,000 (2019: £2,255,000) represents contributions payable to the plan by the Group.

Defined benefit pension scheme

The Group sponsors a funded defined benefit pension scheme in the UK. The scheme is administered within a Trust which is legally separate from the Group. Trustees are appointed by both the Group and the scheme's membership and act in the interest of the scheme and all relevant stakeholders, including the members and the Group employers. The Trustees are also responsible for the investment policy for the scheme's assets. Existing scheme members continue to accrue benefits, but the scheme is closed to new entrants. Members accrue an annual pension of either 1/45th or 1/60th of final pensionable salary for each year of pensionable service. Increases in pensionable salary are limited to 1% per annum. Once in payment, pensions increase in line with inflation. The scheme also provides a two-thirds spouse's pension on the death of a member.

Active members of the scheme pay contributions at the rate of either 5% or 7% of pensionable salary and the Group employers pay the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme, whereas the accounting assumptions must be best estimates.

The Group has not recognised any obligation under a minimum funding requirement as it is entitled to a refund of any residual assets once all members have left the scheme.

The scheme poses a number of risks to the Group. These include:

Investment risk

The present value of obligations is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on the scheme's assets is below this rate the scheme deficit will increase.

Interest rate risk

A decrease in the yield on high-quality corporate bonds will reduce the discount rate and thus increase the value placed on the scheme's liabilities. However, this would be partially offset by an increase in the value of the scheme's bond investments.

Inflation risk

The present value of the liabilities is calculated by reference to a best estimate of future inflation. If inflation turns out to be higher than this estimate then the deficit will increase.

28. Retirement benefit obligations continued

Longevity risk

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

A formal actuarial valuation was carried out as at 31 December 2018. The results of that valuation have been projected to 31 December 2020 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:

	2020	2019
	%	%
Retail Prices Index (RPI)	**2.80**	2.80
Consumer Prices Index (CPI)	**2.20**	2.00
Pensionable salary increases	**1.00**	1.00
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.20**	2.00
Revaluation of deferred pensions	**2.20**	2.00
Liabilities discount rate	**1.40**	2.00

Mortality assumptions	**2020**	2019
	Years	Years
Retiring today (aged 65)		
Male	**21.8**	21.9
Female	**24.1**	24.2
Retiring in 20 years (currently aged 45)		
Male	**22.8**	23.0
Female	**25.3**	25.3

The mortality assumptions adopted are the Self Administered Pension Schemes (SAPS) tables with allowance for future improvements in line with Continuous Mortality Investigation (CMI) 2019 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[1]	Nil[1]
Liabilities discount rate	0.25%	Decrease by 4.1%	Increase by 4.4%
Rate of mortality	1 year	Increase by 4.4%	Decrease by 3.8%

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.

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28. Retirement benefit obligations continued

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

	2020 £'000	2019 £'000
Service cost:		
Current service cost	795	798
Ongoing scheme expenses	576	666
Past service cost	150	—
Net interest expense	433	439
Pension protection fund	206	227
Pension expenses recognised in profit or loss	2,160	2,130
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(13,898)	(15,106)
Actuarial losses/(gains) arising from changes in demographic assumptions	2,265	(724)
Actuarial gains arising from experience adjustments	—	(1,606)
Actuarial losses arising from changes in financial assumptions	27,346	25,373
Actuarial losses recognised in other comprehensive income	15,713	7,937
Total	17,873	10,067

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

	2020 £'000	2019 £'000
Present value of scheme obligations	235,143	208,318
Fair value of scheme assets	(198,698)	(185,353)
	36,445	22,965

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

	2020 £'000	2019 £'000
Non-current liabilities	36,445	22,965

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

	2020 £'000	2019 £'000
At 1 January	208,318	186,785
Current service cost	795	798
Interest on obligation	4,098	5,138
Actuarial losses	29,610	23,043
Past service cost	150	—
Benefits paid	(7,828)	(7,446)
At 31 December	235,143	208,318

28. Retirement benefit obligations continued

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

	2020 £'000	2019 £'000
At 1 January	185,353	170,075
Interest income	3,665	4,699
Actuarial gains on scheme assets	13,898	15,106
Employer contributions	4,186	3,585
Benefits paid	(7,828)	(7,446)
Ongoing scheme expenses	(576)	(666)
At 31 December	198,698	185,353

The categories of plan assets are as follows:

	2020 £'000	2019 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	39,934	34,882
Diversified credit funds	62,892	69,018
Cash and net current assets	2,826	2,024
Unquoted investments:		
Direct lending	28,521	24,764
Liability driven investment	31,626	23,887
Collateralised loan obligations	21,608	22,007
Special situations	11,291	8,771
At 31 December	198,698	185,353

The weighted average duration of the defined benefit obligation is 17 years (2019: 16 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2021 financial year is £4,200,000, being £4,200,000 payable by the Group and £nil payable by scheme members.

The Company's level of recovery plan funding to the scheme is £3,350,000 per annum and will increase by £100,000 per annum until the next triennial valuation. In addition to this, the Company contributes a further £260,000 per annum towards the administration expenses of the scheme.

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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	2020 £'000	2019 £'000
Management charges receivable	1,963	1,260
Interest receivable	3,377	5,515
Interest payable	(1,802)	(2,128)
Rents payable	(156)	(156)
Recharge of expenses	51	59

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

Purchases of goods and services	2020 £'000	2019 £'000
Close family members of key management personnel (amounts paid for IT services)	49	42
Related companies of key management personnel (amounts paid for Non-executive Director services)	43	46

Amounts owing by related parties (note 18) or to related parties (note 23) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No significant provisions have been made for impaired receivables in respect of the amounts owed by related parties. Other than as disclosed above, there are no further related party transactions with joint ventures and associates.

Remuneration of key management personnel

The key management personnel of the Group are the Board of Directors and members of the Senior Management team of wholly owned subsidiaries, as presented on pages 70 to 73. They are responsible for making all of the strategic decisions of the Group and its subsidiaries, as detailed on pages 8 and 9 and 26 to 31. The remuneration of the Board of Directors is set out in the Remuneration Report on pages 106 to 127. The remuneration of the relevant four (2019: four) members of the Senior Management team is set out below, in aggregate, for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2020 £'000	2019 £'000
Short-term employee benefits	1,271	1,597
Post-employment benefits	19	13
Share-based payments	203	44
	1,493	1,654

30. Share capital

	Authorised, allotted, issued and fully paid	
	2020 £'000	2019 £'000
400,000 5.25% cumulative preference shares of £1 each (2019: 400,000)	**400**	400
133,181,537 ordinary shares of 10p each (2019: 133,172,602)	**13,318**	13,317
	13,718	13,717

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. During the year 8,935 ordinary shares (2019: 26,000) were issued in satisfaction of share option exercises.

Subject to Board approval, the preference shares carry the right to a cumulative preferential dividend payable half yearly at the rate of 5.25% per annum. They also carry a right, in priority to the ordinary equity, on a return of assets on a winding-up or reduction of capital, to repayment of capital, together with the arrears of any preferential dividend. With the exception of any resolution proposed to directly affect the rights or privileges of the holders of the preference shares, the holders thereof are not entitled to receive notice of, be present or vote at any general meeting of the Company.

Share-based payments

The Company operates the following share-based payment arrangements:

(i) The Henry Boot 2010 Sharesave Plan

This savings-related share option plan was approved by shareholders in 2010 and is HMRC approved. Grants of options to participating employees were made on 24 October 2017 at a price of 270.0p at a discount of 10%, on 4 October 2018 at a price of 262.0p at a discount of just under 5.8%, on 3 October 2019 at a price of 224.0p at a discount of just under 9.7% and on 5 October 2020 at a price of 237.0p at a discount of 6.0%. These become exercisable for a six-month period from 1 December 2020, 1 December 2021, 1 December 2022 and 1 December 2023 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.

2019

	Options outstanding at 1 January 2019	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2019**
October 2017 grant	779,744	**—**	**(533,735)**	**—**	**246,009**
October 2018 grant	277,300	**—**	**(163,459)**	**—**	**113,841**
October 2019 grant	—	**875,301**	**(11,811)**	**—**	**863,490**

2020

	Options outstanding at 1 January 2020	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2020**
October 2017 grant	246,009	**—**	**(66,456)**	**—**	**179,553**
October 2018 grant	113,841	**—**	**(27,342)**	**—**	**86,499**
October 2019 grant	863,490	**—**	**(124,794)**	**(3,935)**	**734,761**
October 2020 grant	—	**312,039**	**—**	**—**	**312,039**

The weighted average share price at the date of exercise for share options exercised during the year was 260.50p (2019: nil).

(ii) The Henry Boot 2015 Long-Term Incentive Plan

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

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30. Share capital continued

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

	2020 Number	2019 Number
Share options granted at 1 January	**1,115,063**	1,010,623
Lapses of share options in year	**(176,301)**	(47,830)
Awards of shares in year	**(311,640)**	(241,095)
Share options granted in year	**451,085**	393,365
Share options granted at 31 December	**1,078,207**	1,115,063

The weighted average share price at the date of exercise for share options exercised during the year was 235.00p (2019: 253.00p).

(iii) The Henry Boot PLC 2010 Approved Company Share Option Plan

This plan, more commonly known as a CSOP, was approved by shareholders in 2010 and is HMRC approved. Any full-time Director or employee (full-time or part-time) is eligible to participate at the discretion of the Remuneration Committee of the Board. Options are granted by deed with no consideration payable by the participant. The aggregate subscription price at the date of grant of all outstanding options granted to any one participant under the plan and any other HMRC approved plan operated by the Company (but excluding options granted under any savings-related share option plan) must not exceed £30,000. The aggregate market value at the date of grant of ordinary share options which may be granted to any one participant in any one financial year of the Company shall not normally exceed two times the amount of a participant's remuneration for that financial year. The Remuneration Committee may impose objective conditions as to the performance of the Group which must normally be satisfied before options can be exercised. Options are normally exercisable only within the period of three to ten years after the date of grant. The right to exercise options generally terminates if a participant leaves the Group, subject to certain exceptions. The first grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 17 May 2011 at an option price of 121.5p. The second grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 1 October 2014 at an option price of 191.0p. The third grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 6 October 2017 at an option price of 298.9p. The fourth grant of options under the plan was made to certain employees (two of whom at the time were Directors of Group companies) on 14 September 2018 at an option price of 291.0p. The fifth grant of options under the plan was made to certain employees (two of whom at the time were Directors of Group companies) on 3 October 2019 at an option price of 249.0p. The sixth grant of options under the plan was made to certain employees (none of whom at the time were Directors of Group companies) on 5 October 2020 at an option price of 237.0p There were no performance conditions imposed on either of these grants.

2019

	Options outstanding at 1 January 2019	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2019**
May 2011 grant	16,000	**—**	**—**	**(6,000)**	**10,000**
October 2014 grant	35,000	**—**	**—**	**(20,000)**	**15,000**
October 2017 grant	148,910	**—**	**(14,220)**	**—**	**134,690**
September 2018 grant	289,341	**—**	**(19,916)**	**—**	**269,425**
October 2019	—	**446,848**	**(2,010)**	**—**	**444,838**

2020

	Options outstanding at 1 January 2020	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2020**
May 2011 grant	10,000	**—**	**—**	**(5,000)**	**5,000**
October 2014 grant	15,000	**—**	**—**	—	**15,000**
October 2017 grant	134,690	**—**	**—**	**(4,183)**	**130,507**
September 2018 grant	269,425	**—**	**—**	**(5,860)**	**263,565**
October 2019 grant	444,838	**—**	**—**	**(7,432)**	**437,406**
October 2020 grant	—	**416,316**	**—**	**—**	**416,316**

The weighted average share price at the date of exercise for share options exercised during the year was 253.00p (2019: 255.85p).

30. Share capital continued

Fair value

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

	Weighted average exercise price	Weighted average share price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
LTIP	Nil	241.0p to 294.0p	29.37% to 36.57%	3 years	0.00% to 0.94%	2.14% to 3.24%
CSOP 2011	121.5p	121.5p	41.47%	3 years	1.67%	5.02%
CSOP 2014	191.0p	191.0p	31.17%	3 years	1.23%	3.16%
CSOP 2017	298.9p	309.0p	30.37%	3 years	0.51%	3.02%
CSOP 2018	291.0p	291.0p	29.28%	3 years	0.91%	2.90%
CSOP 2019	*249.0p*	249.0p	29.25%	3 years	0.28%	3.24%
CSOP 2020	**263.0p**	**263.0p**	**38.07%**	**3 years**	**0.00%**	**2.61%**
Sharesave 2014	172.0p	181.0p	31.45%	3 years	0.82%	3.16%
Sharesave 2017	270.0p	300.0p	30.30%	3 years	0.51%	3.02%
Sharesave 2018	262.0p	278.0p	29.53%	3 years	0.99%	2.90%
Sharesave 2019	224.0p	248.0p	29.25%	3 years	0.28%	3.24%
Sharesave 2020	**237.0p**	**263.0p**	**38.07%**	**3 years**	**0.00%**	**2.61%**

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

The weighted average fair value of share options granted during the year was 76.64p (2019: 61.91p).

Expense recognised in the Consolidated Statement of Comprehensive Income

	2020 £'000	2019 £'000
The total expense recognised in the Consolidated Statement of Comprehensive Income arising from share-based payment transactions	**975**	826

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

31. Reserves

			Other			
Group	Property revaluation £'000	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Total other £'000
At 1 January 2019	3,397	276,999	271	5,867	209	6,347
Change in accounting policy	—	(154)	—	—	—	—
Profit for the year	—	37,596	—	—	—	—
Dividends paid	—	(12,621)	—	—	—	—
Premium arising from shares issued	—	—	—	43	—	43
Decrease in fair value in year	(404)	—	—	—	—	—
Transfer from non-controlling interests	—	(1,856)	—	—	—	—
Arising on employee share schemes	—	216	—	—	—	—
Unrecognised actuarial loss	—	(7,937)	—	—	—	—
Deferred tax on actuarial loss	—	1,350	—	—	—	—
At 31 December 2019	2,993	293,593	271	5,910	209	6,390
Profit for the year	**—**	**11,921**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**(4,664)**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**—**	**14**	**—**	**14**
Decrease in fair value in year	**(651)**	**—**	**—**	**—**	**—**	**—**
Arising on employee share schemes	**—**	**288**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**—**	**(15,713)**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**—**	**3,089**	**—**	**—**	**—**	**—**
At 31 December 2020	**2,342**	**288,514**	**271**	**5,924**	**209**	**6,404**

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31. Reserves continued

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Share premium £'000	Capital £'000	Investment revaluation £'000	Total other £'000
At 1 January 2019	85,513	271	5,867	211	1,135	7,484
Change in accounting policy	(7)	—	—	—	—	—
Profit for the year	12,350	—	—	—	—	—
Dividends paid	(12,621)	—	—	—	—	—
Premium arising from shares issued	—	—	43	—	—	43
Arising on employee share schemes	(256)	—	—	—	—	—
Unrecognised actuarial loss	(7,939)	—	—	—	—	—
Deferred tax on actuarial loss	1,350	—	—	—	—	—
At 31 December 2019	78,390	271	5,910	211	1,135	7,527
Profit for the year	**552**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**(4,664)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**14**	**—**	**—**	**14**
Arising on employee share schemes	**(297)**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**(15,713)**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**3,089**	**—**	**—**	**—**	**—**	**—**
At 31 December 2020	**61,357**	**271**	**5,924**	**211**	**1,135**	**7,541**

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. This reserve is distributable to the extent it does not arise from revaluation gains.

Capital redemption reserve

The capital redemption reserve represents the purchase and cancellation by the Company of its own shares and comprises the aggregate nominal value of all the ordinary shares repurchased and cancelled. This reserve in not distributable.

Share premium reserve

The share premium reserve represents the difference between the sums received from the issue of shares and their nominal value net of share issue expenses. This reserve is not distributable.

Capital reserve

The capital reserve represents realised profits arising on the disposal of investments and is available for distribution.

Investment revaluation reserve

This reserve was carried forward from previous accounting framework, and represents accumulated unrealised revaluation gains. This is distributable only when the related investment is sold or impaired.

32. Cost of shares held by the ESOP trust

	2020 £'000	2019 £'000
At 1 January	**1,248**	1,260
Additions	**615**	598
Disposals	**(687)**	(610)
At 31 December	**1,176**	1,248

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.

32. Cost of shares held by the ESOP trust continued

At 31 December 2020, the Trustee held 475,574 shares (2019: 537,214 shares) with a cost of £1,175,526 (2019: £1,247,665) and a market value of £1,213,715 (2019: £1,713,713). All of these shares were committed to satisfy existing grants by the Company under the Henry Boot PLC 2015 Long-Term Incentive Plan. In accordance with IAS 32, these shares are deducted from shareholders' funds. Under the terms of the Trust, the Trustee has waived all dividends on the shares it holds.

33. Cash generated from operations

		Group		Parent Company	
		2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Profit before tax		**17,079**	49,104	**(162)**	12,701
Adjustments for:					
Amortisation of PFI asset	11	**570**	555	**—**	—
Goodwill impairment	11	**2,218**	205	**—**	—
Depreciation of property, plant and equipment	12	**3,585**	4,661	**203**	209
Depreciation of right-of-use assets	13	**987**	1,250	**56**	60
Revaluation increase in investment properties	14	**(1,266)**	(2,370)	**—**	—
Amortisation of capitalised letting fees	3	**30**	18	**—**	—
Share-based payment expense	4	**975**	826	**391**	354
Pension scheme credit		**(2,233)**	(1,684)	**(2,233)**	(1,684)
Movements on provision against investments in subsidiaries	15	**—**	—	**—**	(3,935)
Movements on provision against loans to subsidiaries		**—**	—	**3,818**	3,478
Loss on disposal of assets held for sale	3	**—**	56	**—**	—
Profit on disposal of property, plant and equipment	3	**(939)**	(1,140)	**—**	—
Loss on disposal of right-of-use assets	3	**89**	34	**3**	2
Loss on disposal of investment properties		**95**	238	**—**	—
Gain on disposal of joint ventures and subsidiaries		**(7,426)**	—	**—**	—
Finance income	5	**(721)**	(494)	**(3,666)**	(5,552)
Dividends received from subsidiaries		**—**	—	**(7,897)**	(17,180)
Finance costs	6	**1,117**	1,740	**2,172**	2,884
Share of profit of joint ventures and associates	16	**(1,756)**	(1,448)	**—**	—
Operating cash flows before movements in equipment held for hire		**12,404**	51,551	**(7,315)**	(8,663)
Purchase of equipment held for hire	12	**(2,201)**	(3,700)	**—**	—
Proceeds on disposal of equipment held for hire		**1,159**	1,363	**—**	—
Operating cash flows before movements in working capital		**11,362**	49,214	**(7,315)**	(8,663)
Increase in inventories		**(31,285)**	(14,769)	**—**	—
Decrease/(increase) in receivables		**39,800**	(33,649)	**(11,852)**	38,566
Decrease in contract assets		**5,757**	23,687	**—**	—
(Decrease)/increase in payables		**(2,052)**	(10,040)	**13,589**	16,575
(Decrease)/increase in contract liabilities		**(2,446)**	7,082	**—**	—
Cash generated from operations		**21,136**	21,525	**(5,578)**	46,478

Net cash is an alternative performance measure used by the Group and comprises the following:

Analysis of net cash:					
Cash and cash equivalents		**42,125**	42,303	**31,615**	37,316
Bank overdrafts	26	**—**	—	**(1,421)**	(1,012)
Net cash and cash equivalents		**42,125**	42,303	**30,194**	36,304
Bank loans	26	**(9,969)**	(7,757)	**—**	—
Leases liabilities	13	**(2,216)**	(4,637)	**(140)**	(165)
Government loans	26	**(2,941)**	(2,941)	**—**	—
Net cash		**26,999**	26,968	**30,054**	36,139

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34. Guarantees and contingencies

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

The Parent Company has given cross guarantees to certain of the Group's bankers and bondsmen in respect of facilities available to Group undertakings in the normal course of business. At the year end amounts guaranteed against these facilities were £nil and £10,736,000 respectively.

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

35. Business combinations

On 9 August 2019 the Group acquired 60% of the share capital of Starfish Commercial Ltd for consideration of £540, the remaining 40% was acquired on 23 December 2019 for consideration of £nil.

Starfish, which operates an office in Derbyshire, is a multi-tenure housing contractor, and is an established supplier to several Housing Associations and Local Authorities. It has been delivering affordable and social housing units for the last four years, often via framework arrangements. Starfish was also a joint venture partner with Magenta Living in a company known as Hilbre Homes, providing sustainable housing opportunities in the Cheshire area. The Company's position as an established provider of affordable and social housing enabled Henry Boot Construction Limited to take a step into this new operational area.

The goodwill arising on acquisition was attributable to the acquired reputation and customer base and economies of scale expected from the combined operations. None of the goodwill was expected to be deductible for corporation tax purposes.

The following table summarises the consideration paid for Starfish Commercial Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	2019 £'000
Business combinations	
Consideration paid 9 August 2020	
Cash	1
	1
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	(152)
Property, plant and equipment	22
Deferred tax	109
Trade and other receivables	2,226
Trade and other payables	(5,562)
Total identifiable net assets	(3,357)
Less: non-controlling interests	1,342
Goodwill	2,015
Total	—

Acquisition-related costs of £64,000 were charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2019.

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

The revenue included in the consolidated statement of comprehensive income for the year ended 31 December 2019 was £3,810,000. Starfish Commercial Limited also contributed loss before tax of £1,834,000 over the same period.

Had Starfish Commercial Ltd been consolidated from 1 January 2019, the consolidated statement of comprehensive income would show revenue of £7,790,000 and loss before tax of £4,418,000.

36. Events after the balance sheet date

In January 2021 the nation entered a third lockdown as a result of the CV-19 pandemic. While clearly this has impacted the Group's operations, there has been no materially negative impact on the Group's results to date.

On 26 February 2021 the Group repaid all furlough grants claimed under the Government's Coronavirus Job Retention Scheme. The total amount claimed and repaid was £0.8m, all of which related to the 2020 financial year. As the decision to repay was taken after the year end, this event has been classified as a non-adjusting post balance sheet event.

Executive Directors voluntarily reduced salaries by 20% from 1 April 2020 to 1 October 2020, for the duration of the most severe impact of the pandemic. Following the year end these salary reductions for Executive Directors were repaid in full, to mirror the experience of the wider workforce in having received 100% of salary during the pandemic.

The Group has commenced consultation with active members of the defined benefit pension scheme in 2021 with a view to closing the scheme to future accrual.

Other disclosable events after the balance sheet date include the proposal of a final dividend for 2020, further information can be found in note 10.

There were no other significant events since the balance sheet date which may have a material effect on the financial position or performance of the Group.

37. Disposals of joint ventures and subsidiaries

The Group has completed on two disposals during the year:

a) Starfish Commercial Ltd

On 14 September 2020 the Group, through its subsidiary Henry Boot Construction Limited, placed its wholly owned subsidiary Starfish Commercial Ltd into creditors voluntary liquidation.

	2020 £'000
Sales proceeds	–
Book value of net liabilities	1,262
Sales costs	–
Profit on disposal	**1,262**

b) Ansty Developments LLP

On 12 November 2020 the Group, through its subsidiary Hallam Land Management Limited, disposed of its interest in Ansty Developments LLP for a total consideration of £6,250,000.

	2020 £'000
Sales proceeds	6,250
Book value of net assets	–
Sales costs	(86)
Profit on disposal	**6,164**

38. Additional information – subsidiaries, joint ventures and associates

Details of the Company's subsidiaries, joint ventures and associates, all of which are incorporated in England (unless otherwise stated) and are consolidated in the Group Financial Statements at 31 December 2020, are as follows:

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Banner Plant Limited	100%	Direct	Plant hire
Brookfield Garth Hampsthwaite Management Company Limited[1]	50%	Indirect	Management company
Buffergone Limited	100%	Direct	Inactive
Butterfield Quad Management Company Limited	100%	Indirect	Management company
Capitol Park Property Services Limited	4.6%	Indirect	Management company
Chocolate Works York Management Company Limited	100%	Indirect	Management company
Comstock (Kilmarnock) Ltd.	100%	Indirect	Land promotion

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

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
First National Housing Trust Limited	100%	Direct	Property investment
Fox Valley Management Company Limited[1]	50%	Indirect	Management company
Hallam Land Management Limited	100%	Direct	Land promotion
HB Island Limited	100%	Direct	Property development
HBGP Limited	100%	Direct	Property development
Henry Boot Biddenham Limited	100%	Direct	Land promotion
Henry Boot Construction Limited	100%	Direct	Construction
Henry Boot Contracting Limited	100%	Direct	Inactive
Henry Boot Developments Limited	100%	Direct	Property investment and development
Henry Boot Cornwall House Limited	100%	Indirect	Inactive
Henry Boot Estates Limited	100%	Direct	Property investment
Henry Boot Investments 1 Limited	100%	Indirect	Property development
Henry Boot Inner City Limited	100%	Direct	Inactive
Henry Boot 'K' Limited	100%	Indirect	Property investment and development
Henry Boot Land Holdings Limited	100%	Direct	Land promotion
Henry Boot (Launceston) Limited	100%	Direct	Land promotion
Henry Boot Leasing Limited	100%	Direct	Motor vehicle leasing to Group companies
Henry Boot (Manchester) Limited	100%	Direct	Property development
Henry Boot Nottingham Limited	100%	Indirect	Inactive
Henry Boot Projects Limited	100%	Direct	Inactive
Henry Boot Swindon Limited	100%	Direct	Land promotion
Henry Boot Tamworth Limited	100%	Indirect	Property investment and development
Henry Boot Wentworth Limited	100%	Direct	Property development
IAMP Management Company Limited	100%	Indirect	Management company
Investments (North West) Limited	100%	Indirect	Property development
Kingsley Road Harrogate Management Company Limited[1]	50%	Indirect	Management company
Marboot Centregate Ltd	100%	Indirect	Property investment
Marboot Centregate 2 Limited	100%	Indirect	Property investment
Moore Street Securities Limited	100%	Direct	Employee benefit trust
Moorlands Cleckheaton Management Company Limited[1]	50%	Indirect	Management company
Plot 7 East Markham Vale Management Company Limited	66.7%	Indirect	Management company
Road Link (A69) Holdings Limited	61.2%	Indirect	Holding company
Road Link (A69) Limited	61.2%	Indirect	PFI road maintenance
St John's Manchester Limited	100%	Indirect	Property development
Saltwoodend Limited	100%	Indirect	Inactive
Stonebridge Homes Group Limited[1]	50%	Indirect	Holding company
Stonebridge Offices Limited[1]	50%	Indirect	Property investment
Stonebridge Homes Limited[1]	50%	Indirect	Property development
Victoria Gardens (Headingley) Management Company Ltd[1]	50%	Indirect	Management company
Weyland Road Management Company Limited[1]	50%	Indirect	Management company
Willow Crest Cawood Management Company Limited[1]	50%	Indirect	Management company
The Willows Whinney Lane Management Company Limited[1]	50%	Indirect	Management company
Winter Ground Limited	100%	Indirect	Property development
Woodside Park Newlay Estate Management Company Limited[1]	50%	Indirect	Management company

1 Stonebridge related entities are included as subsidiaries due to the Group's additional voting rights, having two of the three director appointments.

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

Joint ventures and associates	Proportion of ownership	Direct or indirect	Activity
Aytoun Street Developments Limited	50%	Indirect	Property development
Bigmouth Manchester Limited	50%	Indirect	Property development
Cognito Oak LLP	50%	Indirect	Property development
Crimea Land Mansfield LLP	50%	Indirect	Land promotion
HBB Preston East Ltd	50%	Indirect	Property development
HBB Roman Way Limited	50%	Indirect	Property development
Henry Boot Barnfield Limited	50%	Indirect	Property development
I-Prop Developments Limited	50%	Indirect	Inactive
Island Site Limited Partnership	50%	Indirect	Property development
Island Site (General Partner) Limited	50%	Indirect	Property development
Island Site (Nominee) Limited	50%	Indirect	Property development
Kirklees Henry Boot Partnership Limited	50%	Indirect	Inactive
Markey Colston Limited	18.4%	Indirect	Property investment
Montagu 406 Regeneration LLP	50%	Indirect	Property investment
MVNE LLP	50%	Indirect	Property development
Newmarket Lane Holding Limited	50%	Indirect	Property development
Newmarket Lane Limited	50%	Indirect	Property development
Newmarket Lane Management Company Limited	50%	Indirect	Management company
Pennine Property Partnership LLP	50%	Indirect	Property investment and development
Road Link Limited	37.6%	Indirect	Inactive

The address of the registered office of all subsidiaries, joint venture and associates is the same as the Parent Company, with the exception of:

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

Comstock (Kilmarnock) Ltd. whose registered office is 48 St. Vincent Street, Glasgow, G2 5HS.

Woodside Park Newlay Estate Management Company Limited, Fox Valley Management Company Limited, Moorlands Cleckheaton Management Company Limited, Brookfield Garth Hampsthwaite Management Company Limited, Kingsley Road Harrogate Management Company Limited, Weyland Road Management Company Limited, Willow Crest Cawood Management Company Limited, The Willows Whinney Lane Management Company Limited and Victoria Gardens (Headingley) Management Company Ltd whose registered office is 1 Featherbank Court, Horsforth, Leeds, LS18 4QF.

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

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

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

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

Island Site Limited Partnership whose registered office is Guardsman Tony Downes House, 5 Manchester Road, Droylsden, Tameside, M43 6SF.

Crimea Land Mansfield LLP whose registered office is C/O Harworth Group, Advantage House Poplar Way, Catcliffe, Rotherham, S60 5TR, United Kingdom

SHAREHOLDER INFORMATION

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 Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD on Thursday 20 May 2021 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 2020.

Resolution 2

To declare a final dividend of 3.3p 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 2020.

Resolution 4

To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 December 2020.

Resolution 5

To reappoint Timothy Roberts as a Director of the Company.

Resolution 6

To reappoint Jamie Boot as a Director of the Company.

Resolution 7

To reappoint Darren Littlewood as a Director of the Company.

Resolution 8

To reappoint Joanne Lake as a Director of the Company.

Resolution 9

To reappoint James Sykes as a Director of the Company.

Resolution 10

To reappoint Peter Mawson as a Director of the Company.

Resolution 11

To reappoint Gerald Jennings as a Director of the Company.

Resolution 12

To reappoint Ernst & Young LLP as auditors of the Company.

Resolution 13

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

Resolution 14

THAT pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £4,440,364 , provided that (unless previously revoked, varied or renewed) this authority shall expire on 19 August 2022 or at the conclusion of the next AGM of the Company after the passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under Section 551 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

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

Resolution 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 £666,054,

and (unless previously revoked, varied or renewed) this power shall expire on 19 August 2022 or at the conclusion of the next AGM of the Company after the passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Section 570 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Resolution 16

THAT pursuant to Section 701 of the Companies Act 2006, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 10p each in the capital of the Company (ordinary shares) provided that:

a. the maximum aggregate number of ordinary shares hereby authorised to be purchased is 13,321,093;

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 19 August 2022; and

e. the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.

By order of the Board

Amy Stanbridge
Company Secretary

16 April 2021

HENRY BOOT PLC
Registered Office:
Banner Cross Hall
Ecclesall Road South
Sheffield
United Kingdom
S11 9PD

Registered in England and Wales No. 160996

Notes

1. The holders of preference shares in the Company are not entitled to attend and vote at the AGM.

2. The right to vote at the meeting is determined by reference to the register of members. Only those ordinary shareholders registered in the register of members of the Company as at the close of business on 18 May 2021 (or, if the meeting is adjourned, at the close of business on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of ordinary 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. However, in view of the UK Government placing restrictions on gatherings due to the CV-19 pandemic, ordinary shareholders and their proxies are kindly requested not to attend in person, as the number of permitted attendees is likely to restricted.

3. An ordinary shareholder is ordinarily entitled to appoint any other 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. However, in light of the Coronavirus pandemic, ordinary shareholders are urged to appoint the Chairman of the meeting as his or her proxy to ensure that their vote is counted, as ordinary shareholders and their proxies are discouraged from attending the meeting in person, due to the number of permitted attendees being likely to be restricted.

4. 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.

5. A form of proxy is enclosed with the notice issued to holders of ordinary shares. To be valid, a form of proxy must be received by post at the offices of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 12.30pm on 18 May 2021 (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, an ordinary shareholder may appoint the Chairman as his or her proxy electronically using the online service at eproxyappointment.com. For an electronic proxy appointment to be valid, the appointment must be received by Computershare Investor Services PLC no later than 12.30pm on 18 May 2021 (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).

   Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to proxymity.io. Your proxy must be lodged by 12.30pm on 18 May 2021 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Notice of Annual General Meeting

7. CREST members who wish to appoint the Chairman as his or her proxy 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 euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID: 3RA50) no later than 12.30pm on 18 May 2021 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. An ordinary shareholder which is a corporation may ordinarily 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. However, in light of the CV-19 pandemic, the number of permitted attendees is likely to be restricted and therefore corporations are urged to complete and return their form of proxies appointing the Chairman as their proxy to ensure their vote is counted.

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 ordinary 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 ordinary shareholders of the Company.

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

    Any such request must:

    a. identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement that is being supported;

    b. comply with the requirements set out in note 11 below; and

    c. be received by the Company at least one week before the meeting.

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

    i. it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;

    ii. it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and

    iii. the statement may be dealt with as part of the business of the meeting.

11. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 10:
    a. may be made either:
        i. in hard copy, by sending it to the Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD; or
        ii. in electronic form, by sending it by email to cosec-ir@henryboot.co.uk. Please state 'Henry Boot PLC: AGM' in the subject line of the email;
    b. must state the full name(s) and address(es) of the shareholder(s); and
    c. where the request is made in hard copy form, it must be signed by the shareholder(s).
12. Shareholders ordinarily 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.

    In light of the arrangements set out in this notice regarding the AGM, any such questions should be submitted in writing to the Company by the following means no later than 12.30pm on 18 May 2021 (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):
    a. in hard copy, by sending it to the Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD; or
    b. in electronic form, by sending it by email to cosec-ir@henryboot.co.uk. Please state 'Henry Boot PLC: AGM' in the subject line of the email.

    Any such written request should clearly state the full name(s) and address(es) of the shareholder(s) raising such questions and, where the request is made in hard copy form, it must be signed by the relevant ordinary shareholder(s).
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: henryboot.co.uk
14. Except as expressly provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:
    a. telephone 0114 255 5444; or
    b. email cosec-ir@henryboot.co.uk.

    No other methods of communication will be accepted.
15. As at 7 April 2021 (being the last practicable date before publication of this notice), the Company's issued ordinary share capital was 133,210,939 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.
16. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends.
    a. Copies of the service contracts of the executive directors.
    b. Copies of the letters of appointment of the non-executive directors.
17. Biographies for each of the directors are shown on pages 70 to 71 of the annual report for the year ended 31 December 2020.

Financial Calendar

London Stock Exchange announcements

Annual Results 2020:
23 March 2021

Interim Results 2021:
13 September 2021

Pre-close Trading Statement 2021:
end January 2022

Annual Report and Financial Statements

Annual Report and Financial Statements 2020 (Available and online):
by 16 April 2021

Annual General Meeting

20 May 2021

Dividends paid on ordinary shares

2020 Final dividend date (Subject to approval at AGM):
28 May 2021

2021 Interim dividend date (Subject to approval):
15 October 2021

Advisers

Chartered Accountants and Statutory Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds LS11 5QR

Bankers

Barclays Bank PLC
1 St Paul's Place
121 Norfolk Street
Sheffield S1 2JW

HSBC UK Bank Plc
City Point
29 Kings Street
Leeds LS1 2HL

National Westminster Bank PLC
2 Whitehall Quay
Leeds LS1 4HR

Corporate Finance

KPMG Corporate Finance
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA

Financial PR

Hudson Sandler LLP
25 Charterhouse Square
London EC1M 6AE

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Solicitors – Corporate

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

Solicitors – Operational

Irwin Mitchell LLP
Riverside East House
2 Millsands
Sheffield S3 8DT

Stockbrokers

Numis Securities Limited
Joint Corporate Broker
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Peel Hunt LLP
Joint Corporate Broker
Moor House
120 London Wall
EC2Y 5ET

Group Contact Information

Land Promotion

Hallam Land Management Limited

Registered office and Head office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

t: 0114 255 5444
e: info@hallamland.co.uk
w: hallamland.co.uk

Regional offices
Bristol, Glasgow, Leeds, London and Northampton

Property Investment and Development

Henry Boot Developments Limited

Registered office and Head office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

t: 0114 350 4477
e: hello@hbd.co.uk
w: hbd.co.uk

Regional offices
Birmingham, Bristol, Glasgow, Leeds, London and Manchester

Stonebridge Homes Limited

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

Head office
1 Featherbank Court, Horsforth, Leeds LS18 4QF

t: 0113 357 1100
e: sales@stonebridgehomes.co.uk
w: stonebridgehomes.co.uk

Construction

Henry Boot Construction Limited

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

Head office
Callywhite Lane, Dronfield, Derbyshire S18 2XN

t: 01246 410111
e: hbc@henryboot.co.uk
w: henrybootconstruction.co.uk

Banner Plant Limited

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

Head office
Callywhite Lane, Dronfield, Derbyshire, S18 2XS

t: 01246 299400
e: dronfield@bannerplant.co.uk
w: bannerplant.co.uk

Hire centres
Chesterfield, Derby, Dronfield, Leicester, Leeds, Rotherham and Wakefield

Road Link (A69) Limited

Registered office and Head office
Stocksfield Hall, Stocksfield, Northumberland NE43 7TN

t: 01661 842842
e: enquiries@roadlinka69.co.uk

Glossary

We have used some terms in this report to explain how we run our business that might be unfamiliar to you. The following list gives a definition for some of the more frequently used terms:

Commercial property
This refers to buildings or land intended to generate a profit, either from capital gain or rental income, such as office building, industrial property, retail stores, etc.

Disclosure and Transparency Rules (DTR)
Issued by the United Kingdom Listing Authority.

Dividend
A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders.

Earnings per share (EPS)
Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.

ESG
Environmental, Social and Governance

Gearing
Net debt expressed as a percentage of equity shareholders' funds.

IAS
International Accounting Standard.

IASB
International Accounting Standards Board.

IFRS
International Financial Reporting Standard as adopted by the European Union.

Inventory value
The determination of the cost of unsold inventory at the end of the accounting period.

IOSH
Institution of Occupational Safety and Health.

LIBOR
The London Interbank Offered Rate is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market (or interbank market).

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.

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.

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.

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)/ Consumer Price Index (CPI)
Monthly inflation indicators based on different 'baskets' of products issued by the Office of National Statistics.

Return on average capital employed (ROCE)
A financial ratio that measures a company's profitability and the efficiency with which its capital is employed.

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

Subsidiary company
A company whose voting stock is more than 50% controlled by another company, usually referred to as the parent company or holding company.

A subsidiary is a company that is partly or completely owned by another company that holds a controlling interest in the subsidiary company.

TCFD
Task Force on Climate-related Financial Disclosures' (https://www.fsb-tcfd.org/)

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.

Consultancy, design and production by:
jonesandpalmer.co.uk

Henry Boot PLC

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

Registered in England and Wales no. 160996
Tel: 0114 2555444
Email: cosec-ir@henryboot.co.uk

Stock Code: BOOT.L