Henry Boot

Henry Boot PLC
Annual Report and Financial Statements
for the year ended 31 December 2021

FOCUSED ON KEY MARKETS AND SUSTAINABLE GROWTH

CONTENTS

WELCOME TO OUR ANNUAL REPORT 2021

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.

* 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.annualreport2021.com

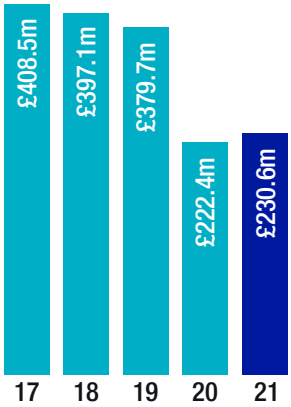
We maintain a corporate website containing a wide range of information of interest to investors and stakeholders. Go to: **henryboot.co.uk**

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

GROUP REVENUE

£230.6m

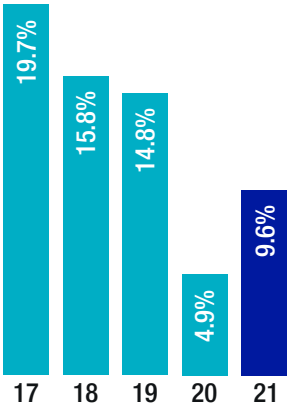


PROFIT BEFORE TAX

£35.1m

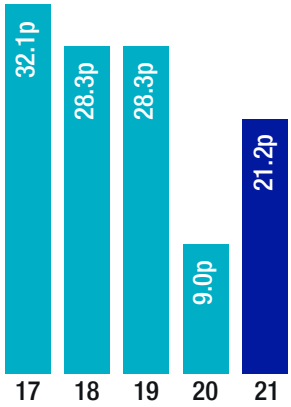
ROCE

9.6%



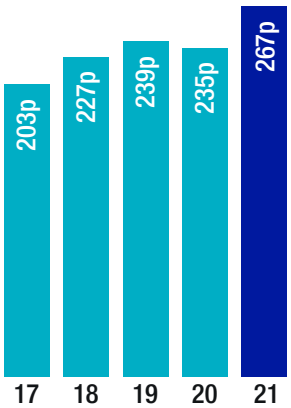
EARNINGS PER ORDINARY SHARE

21.2p



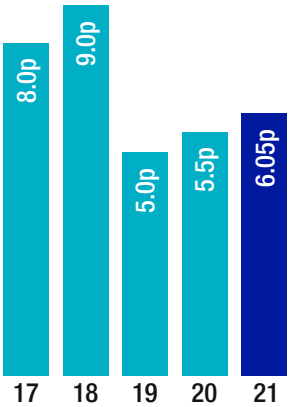
NET ASSET VALUE PER ORDINARY SHARE

267p



DIVIDEND PER ORDINARY SHARE

6.05p



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

OPERATIONAL HIGHLIGHTS

- Hallam Land Management sold 3,008 plots (2020: 2,000) at an average gross profit per plot of £7,820 (2020: £6,456) and increased the land bank to 92,667 plots (2020: 88,070).
- Committed development programme materially stepped up in response to demand from £85m to £277m, with 72% pre-sold or pre-let.
- Approximately 1m sq ft of industrial & logistics development underway (de-risked with 92% pre-sold or pre-let).
- £1.4bn development pipeline (Henry Boot share £1.1bn), 75% of which is focused on industrial & logistics.
- Investment portfolio value increased including JVs to £126m (2020: £92m), delivering a strong total property return of 19.5%.
- Stonebridge Homes has already secured 77% of its annual sales target of 200 units for 2022. Total owned and controlled land bank is now 1,157 plots (2020: 1,119) with detailed or outline planning permission on 912 plots (2020: 657).
- The construction business is performing ahead of expectations with turnover of £81.6m (68% in public sector) out of £110.3m segment total and has secured over 100% of its 2022 order book.
- Launched Phase 2 of our Responsible Business Strategy setting ambitious objectives and clear medium-term targets.

Read the **Business Review** on pages 30 to 37

This report contains the following alternative performance measures (APM):
Return on Capital Employed. Net Asset Value (NAV) per share. Net (debt)/cash. Total Accounting Return
More details can be found on page 40.

CHAIRMAN'S STATEMENT

THE GROUP IS IN A STRONG POSITION

JAMIE BOOT
CHAIRMAN

HENRY BOOT HAS PERFORMED STRONGLY THROUGHOUT 2021, ACHIEVING A PROFIT BEFORE TAX (PBT) OF £35.1M.

Henry Boot has performed strongly throughout 2021, achieving a profit before tax (PBT) of £35.1m. Two key profit drivers have been, firstly, the significant growth in industrial and logistics capital values resulting from continued occupier demand, increasing rents and the weight of investment capital targeting the sector and, secondly, an increase in plot sales from our strategic land business. We have made good progress towards our refocused strategy, with activity levels continuing to recover ahead of our expectations, alongside all three of our key markets – Industrial & Logistics, Residential and Urban Development. Current market trends reinforce the confidence we have in our strategy, leaving the Group well placed to meet its medium-term targets.

£35.1m
PROFIT BEFORE TAX
(2020: £17.1M)

267p
NET ASSET VALUE PER SHARE
(2020: 235P)

The Group's financial position remains strong with NAV per share increasing by 13.6% to 267p and our low net gearing of 12.2% and a debt position of £43.5m, meaning we are well positioned to continue scaling up activity across all operations. We also have 12,865 strategic land plots, which already benefit from planning permission and are held at cost with no increase in value created from securing planning permission over these assets recognised until disposal. Plus, with a committed development programme of £277m GDV to be delivered largely over the next 18 months, both of these provide a significant store for future value creation.

On the basis of the Group's strong commercial and financial performance, the Board proposes to pay a final dividend of 3.63p, which together with the 2.42p interim dividend, gives a total of 6.05p (2020: 5.50p), an increase of 10% for the year.

After over 40 years of service to Henry Boot, I have taken the decision to retire as Chairman and from the Board on 26 May 2022. I am delighted that current Non-executive Director, Peter Mawson, will be taking over the reins as Chair and I am confident that he will continue to provide commercial experience, strategic expertise and governance to support the executive team in growing the business, while maintaining the highest standards. As a consequence of Peter's changing role, the Senior Independent Director position will be assumed by Joanne Lake.

On behalf of the Board, I would like to thank everyone at Henry Boot for their dedication and hard work. Their high levels of engagement have once again been instrumental to the business in producing a strong set of results. I look forward to following Henry Boot's next chapter closely. With the Group in such a strong position, I leave confident that the business will continue to be successful for many years to come and I look forward to remaining a committed long-term shareholder.

JAMIE BOOT
CHAIRMAN

This report contains the following alternative performance measures (APM): Return on Capital Employed. Net Asset Value (NAV) per share. Net (debt)/cash. Total Accounting Return. More details can be found on page 40.

Pictured: Kampus, Manchester, a 533-unit BtR scheme completed in 2021

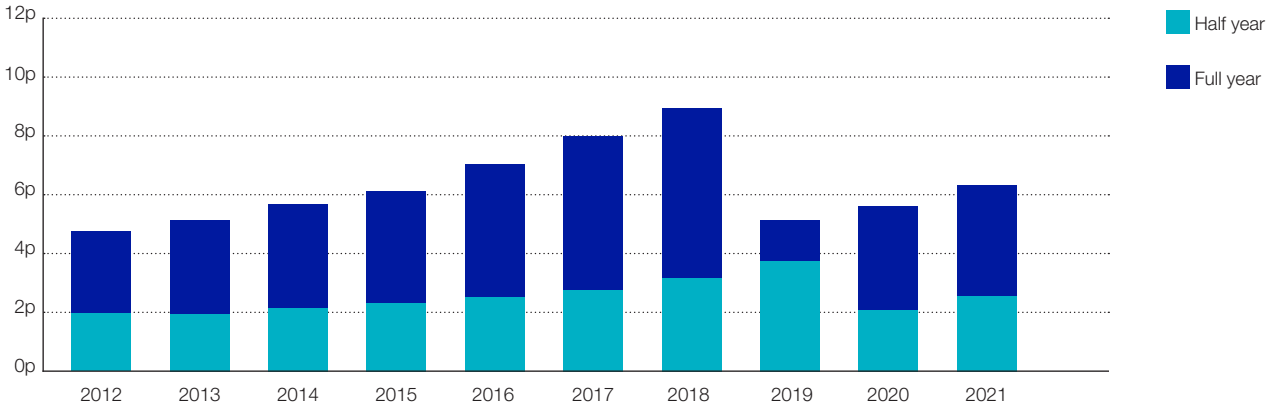
INVESTMENT CASE

A LONG TRACK RECORD OF GENERATING ATTRACTIVE RETURNS

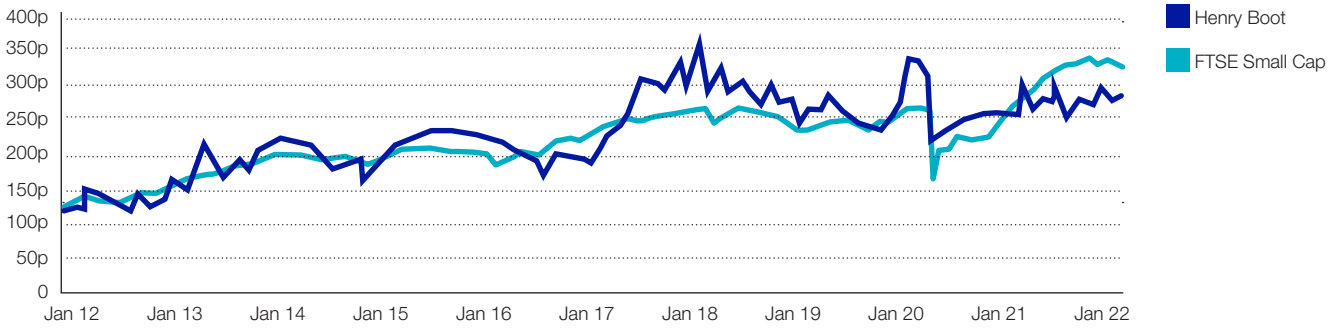
The Group provides reliable earnings with a clear focus on our three key markets, driven by positive long-term structural trends

We are a responsible business with a long track record of generating attractive returns. There is significant embedded value across the Group, including 92,500 strategic land plots and a £1.1bn development pipeline, with all the opportunities sitting within the Group's three key markets. The Company has a great track record of creating shareholder value, boasting a total shareholder return (TSR) of 12.0% per annum over 20 years, which is significantly ahead of the FTSE All-Share index (5.7%).

DIVIDEND PER SHARE



SHARE PRICE OVER 10 YEARS



INVESTING FOR LONG-TERM SUSTAINABLE GROWTH

1

Our culture: the Henry Boot Way of doing things

Our people are vital to Henry Boot's long-term success. A positive and inclusive embedded culture enables us to create and maintain long standing relationships with our customers, clients and communities. This is crucial to our sustainability, creating an environment which empowers our people to deliver the Group's strategy, whilst continuing to attract and retain people who support our culture.

Read more on pages 06 to 07

2

Clear focus on three key markets driven by positive long-term trends

Our three key markets – Industrial & Logistics, Residential and Urban Development – continue to perform well, driving good progress against our strategic objectives. The Group moves into 2022 in good shape with a robust balance sheet, strong momentum within our operations and a healthy store of opportunities secured in our three key markets.

Read more on pages 08 to 09

3

Significant embedded value in the business

There is embedded value across the Group. Hallam Land Management added over 1,000 acres to its land bank with potential to deliver c.7,600 plots, resulting in a total portfolio of over 92,500 plots. Henry Boot Developments has a development pipeline of £1.1bn, adding a further £194m GDV through acquisitions at Welwyn, Rainham, Markham Vale and Birmingham.

Read more on pages 10 to 11

4

Responsible Business approach

We launched the second phase of our Responsible Business Strategy in January this year. The Strategy outlines forward-looking targets aimed at further embedding our environmental, social and governance (ESG) approach into the Group's commercial and strategic decision making.

Read more on pages 12 to 13

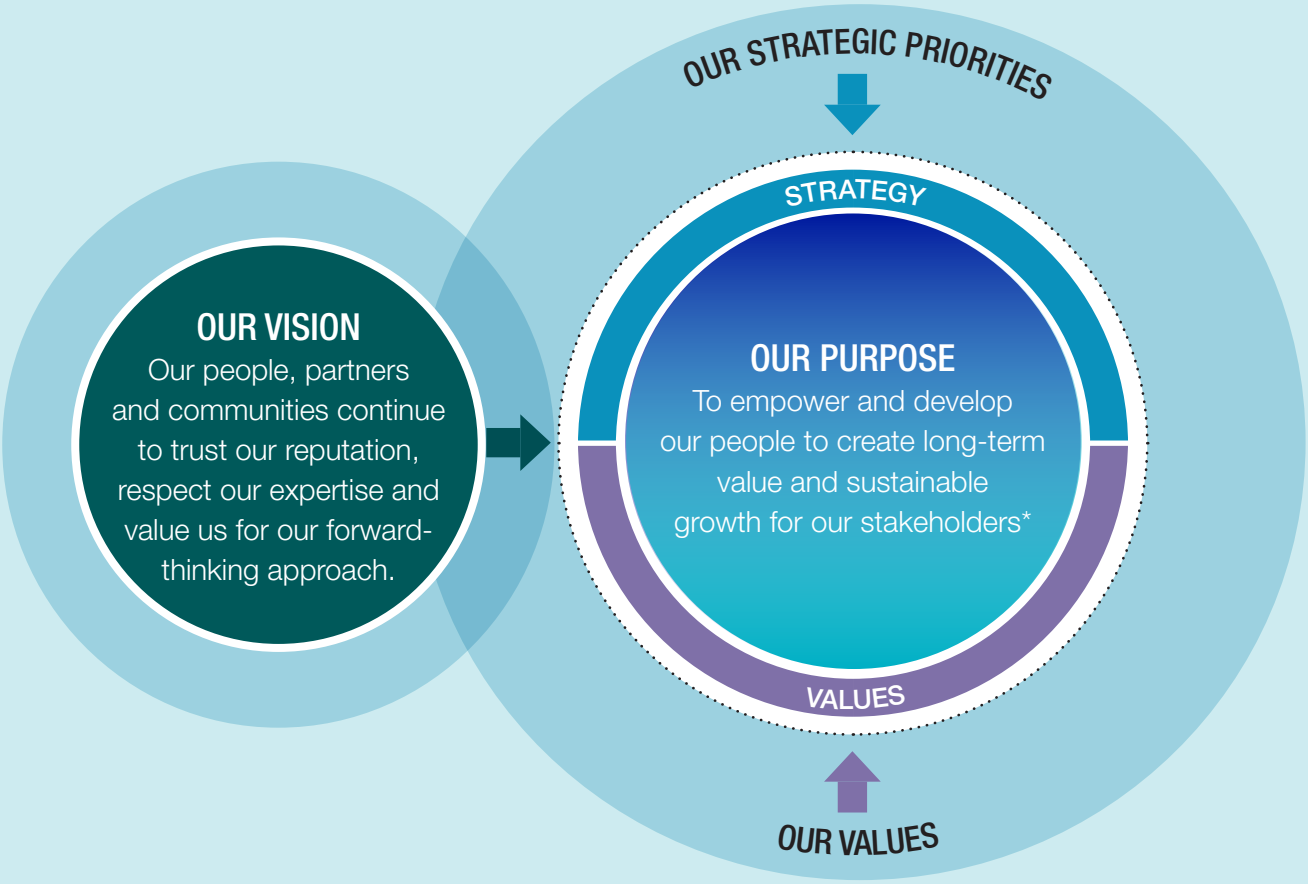
OUR PURPOSE AND CULTURE

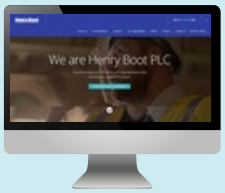
EMPOWERING AND DEVELOPING OUR PEOPLE SITS AT THE CORE OF OUR BEING

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 Strategy** on pages 26 to 29

SAFETY PEOPLE GROWTH DELIVERY





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

RESPECT LOYALTY DELIVERY ADAPTABILITY INTEGRITY COLLABORATION

* 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

LIVING OUR VALUES
THE HENRY BOOT WAY

LOYALTY

GEORGINA RONKSLEY
Management Surveyor, HBD

The Group has supported me through my degree apprenticeship, which has provided the platform for me to take the next step in my career and be promoted to Management Surveyor.

DELIVERY

SARAH COOKSON
Planner, Henry Boot Construction Limited

Working on Phase 2 of the Glassworks project has given Henry Boot the opportunity to provide social values in and around Barnsley town centre, including support of Barnsley Hospice during the pandemic.

ADAPTABILITY

STUART MCKERROW
Assistant Manager, Banner Plant Limited

Banner Plant has recently made transport acquisitions and adopted a new transport manager system. With many environmentally friendly units already on fleet and more arriving this year, we are also increasing our offering of renewable solutions.

RESPECT

DENA MACE
Executive Assistant, Hallam Land Management Limited

As a Company, we are committed to respecting the environment, and have recently been involved in canal cleaning as well as tree planting at our New Lubbesthorpe site.

INTEGRITY

ANTHONY CLITHEROE
Director, HBD

We pride ourselves on doing the right thing for our partners. We continue to honour our pledge to deliver a vibrant logistics and manufacturing hub at Markham Vale, a partnership spanning over a decade.

COLLABORATION

CHRIS STALKER
Director, HBD

We've worked collaboratively in joint venture with Capital & Centric to conceive and deliver Kampus, one of the UK's most complex build-to-rent (BtR) schemes, delivering design-led apartments, canal side gardens, and independent-led commercial space in the centre of Manchester.

GROUP AT A GLANCE

BUSINESS SEGMENTS

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 18,012 acres, focused on higher value locations in the South and Midlands, and in total has the potential to deliver around 92,667 residential plots.

REVENUE STREAM

32 EMPLOYEES

Property Investment and Development

HENRY BOOT DEVELOPMENTS LIMITED

Henry Boot Developments, trading as HBD, is one of the UK's most active and well-respected property developers, working with a £1.1bn pipeline and continuing to grow its investment portfolio. Focusing on industrial and logistics, urban regeneration and residential projects, it develops profitable, impactful schemes that exceed occupier and investor expectations and creates places with purpose.

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 specialises 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

112 EMPLOYEES

Construction

HENRY BOOT CONSTRUCTION LIMITED

A regional construction services provider to both public and private clients, delivering 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 (four years remaining) with National Highways to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. National Highways 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.

REVENUE STREAM

287 EMPLOYEES

Types of revenue streams:

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 FOCUS MARKETS

INDUSTRIAL AND LOGISTICS

In 2021, the industrial and logistics market continued to experience strong demand. The market has been a major beneficiary of pandemic-related lockdowns, which resulted in a structural shift of retail sales moving online and a record amount of warehouse space take-up.

Throughout last year, the Group completed on just under 500,000 sq ft of industrial and logistics development and, in response to high demand, have committed to a further c.1,000,000 sq ft of industrial space, with a Gross Development Value of £165m.

ASSOCIATED BUSINESS SEGMENTS

- Henry Boot Developments Limited
- Henry Boot Construction Limited

KEY PROJECTS

- **Markham Vale** – The scheme has delivered 2,000,000 sq ft of industrial and logistic space since 2004 and in 2021, a further 297,000 sq ft was delivered over two units.
- **New Horizon, Nottingham** – The 45-acre scheme secured funding from Oxenwood Real Estate to commence development of seven logistics units totalling 426,000 sq ft.
- **Wakefield Hub** – The 200-acre site continued to make good progress last year, by pre-letting a 260,000 sq ft unit to a German pharmaceutical company.

RESIDENTIAL

The residential market performed well last year, with UK house prices increasing as many households re-evaluated their housing needs. The strong demand for UK housing underpinned housebuilders needs to replenish their land portfolios, with greenfield land values also increasing.

With over 92,500 plots of land within our strategic land portfolio and an aspiring multi-regional housebuilder, the Group is well placed to meet the market's future growth requirements.

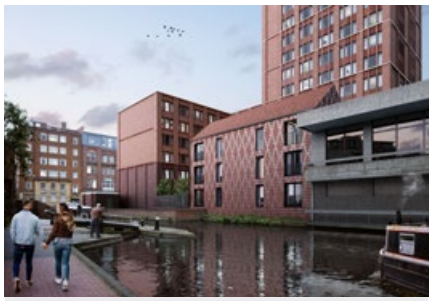
ASSOCIATED BUSINESS SEGMENTS

- Hallam Land Management Limited
- Stonebridge Homes Limited

KEY PROJECTS

- **Didcot** – A c.400-acre site under PPA with planning for 2,170 plots. Expect grant of consent in Spring 2022, with the first plot sales expected shortly after in H1 2022.
- **Eastern Green, Coventry** – The 357-acre site held under option has planning permission for 2,400 plots, with land sales expected in H2 2022.
- **Armthorpe** – Our jointly owned housebuilder unconditionally secured planning to build 232 units in South Yorkshire last year, with construction set to begin in 2022.

URBAN DEVELOPMENT



With the UK beginning to return to some level of normality after the initial outbreak of the pandemic, there have been signs that big regional cities are recovering in footfall, with the continued belief that more people will be living in urban areas than rural by 2050.

The Group secured two urban development contracts in 2021, with a total value of £89m, whilst also making an acquisition of a site in Birmingham, which will be redeveloped into a 404-unit BtR scheme.

ASSOCIATED BUSINESS SEGMENTS

- Henry Boot Developments Limited
- Henry Boot Construction Limited

KEY PROJECTS

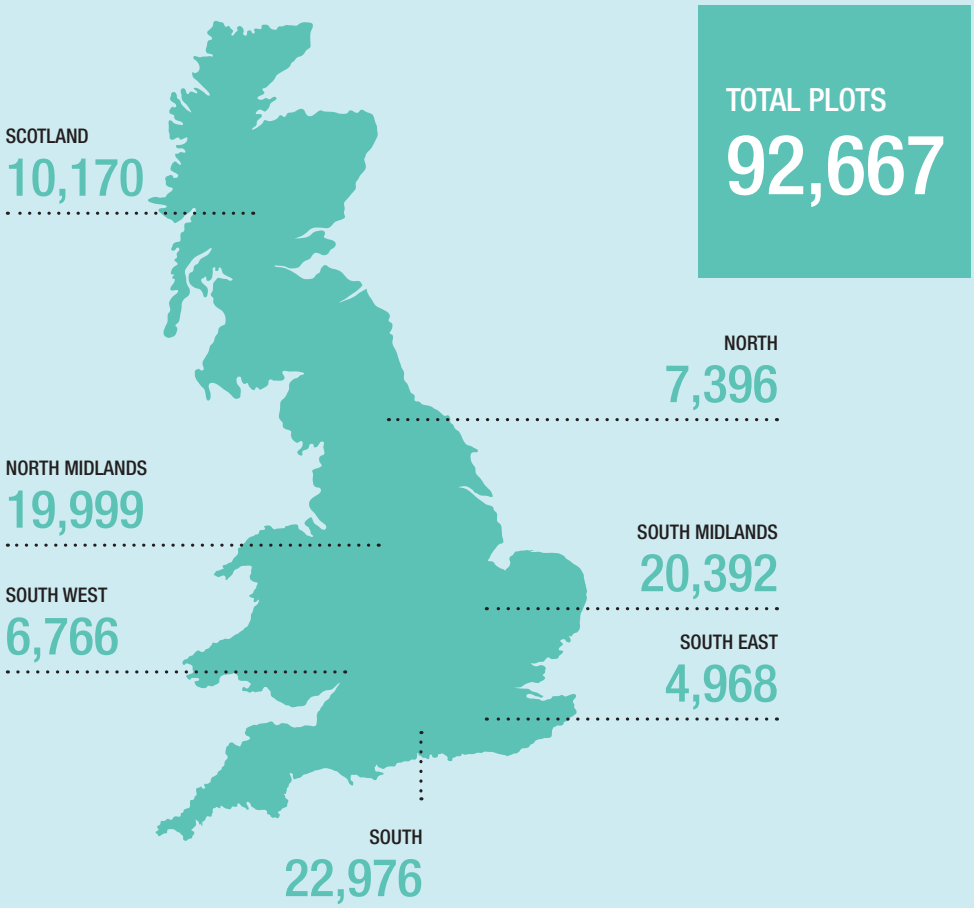
- **Summerhill** – A £110m GDV BtR development scheme in the city centre of Birmingham, which will redevelop a former Sytner BMW dealership site into 404 apartments.
- **Cocoa Works** – A £47m refurbishment of the historic Rowntree Factory in York, which will deliver 279 apartments. Works are set to complete in 2023.
- **Heart of the City** – A £42m mixed-use space, including a seven-storey NZC office building, in the centre of Sheffield.

STRATEGIC VALUE IN THE BUSINESS

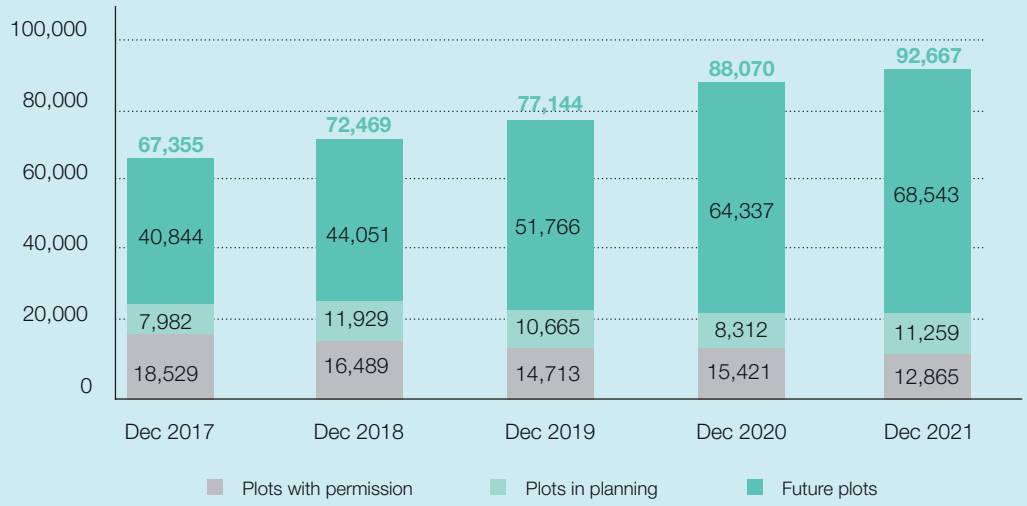
LAND BANK

LAND PROMOTION

Regional breakdown



Residential land plots



Future Development Pipeline

The Group has a total development pipeline of £1.4bn GDV (HBD Share £1.1bn), with all of these opportunities sitting within the Company's three key markets.

75%
INDUSTRIALS AND LOGISTICS

RESPONSIBLE BUSINESS

PHASE ONE – LAUNCH OF 135 HENRY BOOT

COMMUNITY PARTNERSHIP PLAN – MARCH 2021

The Group's Community Partnership Plan was shaped from a community engagement consultation we undertook with our people in 2020.

The plan has found us collaborating with, and supporting, our charity, educational and community partners to create meaningful and lasting impact on their work. In doing so, we have engaged our people to get involved and utilise their skills, knowledge and experience to make a difference for our communities.

KEY OBJECTIVES

- To provide a strategic approach to charitable support, educational engagement and volunteering.
- To provide guidance as we support our charity, educational and community partners.
- To engage our people to get involved and utilise their skills, knowledge and experience.

NEW EQUALITY, DIVERSITY, AND INCLUSION STRATEGY – APRIL 2021

The Group's Equality, Diversity and Inclusion Strategy aims to work with all our partners to ensure our business and sector is truly representative, and that we offer all our current and prospective people an inclusive, accessible and forward-thinking workplace.

We aim to create a fair, accessible, diverse and inclusive working environment, while acknowledging the challenges our sector has traditionally faced in achieving this.

KEY OBJECTIVES

- **Success for all** – All our people will have the best possible opportunities for success, free of the barriers of prejudice and discrimination.
- **Inclusivity for all** – To promote inclusion and accessibility for all.
- **Knowledge for all** – Enabling and ensuring impactful change through knowledge, awareness and cultural shift.

LAUNCH OF OUR NET ZERO CARBON (NZC) FRAMEWORK – JUNE 2021

The Group's Net Zero Carbon Framework aims to guide the business to achieve NZC for all direct emissions by 2030.

Since 2020, a team comprising of colleagues from across the Group, with support from consultancy firm Anthesis, have analysed the Group's directly controlled Greenhouse Gas (GHG) emissions. Following this, the team produced a Framework which will help guide the business in two phases to reduce directly controlled carbon emissions by 2030.

KEY OBJECTIVES

- To achieve NZC for our directly controlled GHG emissions (Scopes 1 and 2) by 2030.
- To enhance our understanding of our indirectly controlled GHG emissions and deliver reduction solutions.
- To empower our people and partners to take positive action to collaboratively decarbonise.

Read more about Phase one see pages 53 to 57

LAUNCH OF PHASE 2 OF OUR RESPONSIBLE BUSINESS STRATEGY

PROCESS FOR DEVELOPING RESPONSIBLE BUSINESS STRATEGY

135 Henry Boot and the wider work undertaken in 2021 put us in a strong position to develop Phase 2 of our Responsible Business Strategy, which launched in January 2022. Phase 2 sets ambitious objectives and targets for the medium term, ensuring we maintain our bold and determined approach to achieving significant environmental and social value through our work.

In developing Phase 2 of our Responsible Business Strategy, it was vital that we captured the opinions and views of our people and partners. We wanted to understand the issues they thought were the most material when considering how our business generates positive impact and social value.

STAKEHOLDER ENGAGEMENT

Our Responsible Business Committee undertook a stakeholder mapping exercise to understand how best to engage our stakeholders. Desk-based research and employee engagement was undertaken to create a shortlist of material issues, which was also influenced by the ambitions of the United Nations Sustainable Development Goals.

IDENTIFY ISSUES

Based on the stakeholder mapping exercise, we conducted a Responsible Business Survey amongst a representative sample of our people, customers, suppliers, advisers, professional membership bodies, charity partners, education partners and community partners. They were asked to rank a series of responsible business issues to assist us in determining which issues should be the most material to our Group.

PRIORITISATION AND SELECTION

Our materiality assessment identified that the top three issues our business should focus on are:

- Promoting positive health and wellbeing for our people.
- Ensuring our business is equal, inclusive, diverse and accessible.
- Achieving net zero carbon (NZC).

DEVELOPMENT OF RESPONSIBLE BUSINESS STRATEGY

Following the materiality assessment and the prioritisation and selection of our key areas of focus, we began to develop our Responsible Business Strategy. The Strategy will guide us to have a positive impact on these issues, and ongoing stakeholder engagement will be undertaken to ensure that the aims and objectives remain relevant and impactful.

Read more about Phase two see on pages 66 to 67

Pictured: Phoenix 10, Walsall, a 44-acre site capable of delivering 620,000 sq ft of industrial and logistics space

STRATEGIC REPORT

The Directors present the Group Strategic Report for the year ended 31 December 2021.

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 71 has been approved by the Board and signed on its behalf by

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

13 April 2022

DARREN LITTLEWOOD
GROUP FINANCE DIRECTOR

13 April 2022

CHIEF EXECUTIVE OFFICER REVIEW

MATERIAL PROGRESS MADE TOWARDS OUR MEDIUM-TERM STRATEGIC TARGETS

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

We have had a good year with profits ahead of our expectations, NAV per share up by 13.6%, and material progress made towards our medium-term strategic targets.

Against a backdrop that was heavily impacted by COVID-19 (CV-19) throughout 2021, we have made good progress with our refreshed strategy to focus, grow and gain appropriate scale in our three key markets, all of which have performed well. CBRE research shows that the UK industrial & logistics market has performed particularly strongly with values up over 35% in 2021. This has been fuelled by another year that has seen near UK record take up of warehouse space, relatively low levels of vacancy and strong investor demand. The UK Price Index states that the residential market has also been buoyant with UK house price inflation of nearly 11% in 2021, which led to residential land prices increasing by c.9% according to Savills research. There are also signs of our big regional cities bouncing back, with more footfall, while Build-to-Rent (BtR) rents increased by an average of 8% according to Zoopla research. Furthermore, key office markets, like Manchester, are seeing take up recover to pre-CV-19 levels, with a clear flight to quality.

92,667
RESIDENTIAL LAND PLOTS (2020: 88,070)

£1.1bn
HBD DEVELOPMENT PIPELINE GDV (2020: £1.1BN)

In anticipation of a recovery in our markets, and in line with our refreshed strategy, we started to increase both our employed and committed capital as early as the summer of 2020. We continued this in 2021 investing over £60m primarily into the acquisitions of land, development sites and investment properties. This increase in activity delivered PBT ahead of management expectations in 2021 with £35.1m of PBT and will also help to restore our profit, ahead of schedule, to near pre-CV-19 levels in 2022.

Moreover, we are also progressing well in realising our medium-term strategic targets. Achieving these targets will result in a larger, more sustainable business, with appropriate scale in our chosen markets, backed by a modern, progressive team all set within a strong ESG framework.

A more detailed review of our refreshed strategy is set out below, including highlights of this year's operational progress towards our medium-term strategic targets:

- As a result of strong demand from housebuilding clients, Hallam Land Management (Hallam Land) has sold 3,008 plots (2020: 2,000 plots).
- Henry Boot Developments (HBD) has completed developments of £303m GDV (HBD share £69m) (2020: £58m) but more importantly, the committed programme has materially increased to £277m (2020: £85m) – including nearly 1m sq ft of industrial, of which 92% is pre-let or pre-sold.
- Significantly, along with our joint venture partner Greater Manchester Pension Fund (GMPF), we have committed to the £66m (HBD share £33m) speculative office redevelopment of the Island, in the centre of Manchester. It will be one of the UK's first Net Zero Carbon (NZC) office buildings.
- Our investment portfolio has grown to £126m, including JVs (2020: £92m), delivering a strong total return of 19.5% during the year.

- Our jointly owned housebuilder, Stonebridge Homes, grew sales to 120 units in 2021 (2020: 115) and has plans to build on this momentum with a sales target of 200 units in 2022. The land bank has also grown, specifically land with planning has increased to 912 plots (2020: 657) mitigating against the impact of ongoing planning delays on our growth.
- With gearing at 12.2%, against a conservative balance sheet where our strategic land bank is held at cost, we are comfortably positioned within our stated optimum range of 10–20%.
- ROCE at 9.6% is close to our stated medium-term target range of 10–15% and, this year, we believe it will be firmly within this range. NAV per share increased by 13.6%, ahead of expectations, and is now 11.7% above the 31 December 2019 level, driving a TAR of 8.0% per annum over the last two years.
- We have also started 2022 well with secured revenue through Hallam Land pre-selling 1,880 plots. The committed development programme is 72% pre-let or presold and Stonebridge Homes has 77% reservations against 200 units. Henry Boot Construction continues to successfully win work, with 100% of its order book secured for 2022, and Banner Plant's monthly trading is above 2019 levels.

In relation to this, I am proud of the level of dedication and commitment that our team has shown in these uncertain, yet busy times, and also very pleased to be leading a business that is responding to the environmental and social challenges we are all facing. We have a Responsible Business Strategy, which not only sets out clear actions and targets that will be more respectful to our people, planet, places and partners, but will also further embed ESG into our commercial decision making. Whilst this approach will involve some evolution of mind set and investment, I strongly believe it will help us anticipate demand from our customers, and better support the communities that we work in. So, ultimately, it will be the right thing in the long term for the business and, therefore, in the interests of our various stakeholders.

Finally, after a remarkable 40 years of service, Jamie Boot, our Chairman, will be retiring from the Board following the Company's Annual General Meeting (AGM) in May of this year. Everyone at Henry Boot would like to express their thanks to Jamie for his outstanding contribution and wish him well in his retirement. On a personal note, it has been a real pleasure working with Jamie and I greatly appreciate his leadership and support. After undertaking a considered selection process, the Group is pleased that current Non-executive Director (NED), Peter Mawson, will be appointed as Chair. Peter has been on the Board since 2015 and brings a wealth of property and commercial experience. As a consequence of Peter's changing role, the Senior Independent Director position will be assumed by Joanne Lake, an existing NED. Also, the Nomination Committee, supported by a consultant, has started the recruitment of an additional NED.

I look forward to working with the Board, under Peter's Chairship, and the rest of our team on the next exciting phase of Henry Boot's journey.

OUTLOOK

The immediate outlook for our markets remains positive with high levels of occupier and investor demand for industrial and logistics space, a strong forward sales position for Stonebridge Homes and continued demand from housebuilders for residential land. Not surprisingly, therefore, we have had a very good start to 2022 with high levels of secured sales.

However, as an industry we face several headwinds. Build cost inflation is stubbornly high, supply restrictions are being seen and it's a competitive employment market. All of these challenges have been overshadowed recently by the conflict in Ukraine. At the moment, we are managing these challenges, maintaining our margin through sales inflation and doing a good job of motivating and retaining our team.

We remain a long-term business and one of our main advantages is our attractive pipeline. With potential for over 92,500 plots Hallam Land has one of the largest strategic land banks in the country, HBD has maintained its pipeline at £1.1 bn (75% in industrial) despite committing to £277m of development over the year and Stonebridge Homes with a land bank of 1,157 plots is readying itself to become a truly multiregional premium housebuilder.

With a strong balance sheet, low levels of gearing, an engaged team and a portfolio rich with opportunity, we are ready to meet demand and to continue making excellent progress against our medium-term strategic targets.

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

This report contains the following alternative performance measures (APM): Return on Capital Employed. Net Asset Value (NAV) per share. Net (debt)/cash. Total Accounting Return. More details can be found on page 40.

£126m
INVESTMENT PORTFOLIO VALUE
(2020: £92m)

1,157 UNITS
STONEBRIDGE HOMES TOTAL LAND BANK
(2020: 1,119)

BUSINESS MODEL

HOW WE CREATE VALUE

Our Purpose: to empower and develop our people to create long-term value and sustainable growth for our shareholders

1

Key resources and relationships

CAPITAL STRUCTURE

Our financial structure allows us to invest in the more profitable areas of the business to ensure we can maximise value, whilst maintaining prudent gearing levels. The property investment portfolio of Henry Boot Developments generates rental income each year, allowing us to borrow against the investment portfolio at attractive rates. The Construction segment is self-funded and cash generative, resulting in the cash produced from these activities being invested into strategic land and property development.

OUR PEOPLE

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.

PARTNERSHIPS

At Henry Boot we pride ourselves on collaboration. We set clear mutual expectations and strive to achieve them. We promote cross-team working, and work in partnership to make things happen.

REPUTATION

We 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.

OUR CULTURE – 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.

2

We are focused on three key markets

Our focus on these markets and our people drives our investment in the business.

INDUSTRIAL AND LOGISTICS

CURRENT CAPABILITIES

The Group completed on £43m GDV of industrial and logistics, and c.500,000 sq ft due to strong demand. At the beginning of 2022, we are committed to a further c.950,000 sq ft of industrial and logistics development with a GDV of £165m, including schemes in Nottingham, Wakefield and Luton.

RESIDENTIAL

CURRENT CAPABILITIES

The residential market performed strongly, with the Group's land promotion business selling 3,008 plots in the year and our regional housebuilder completed on 120 units, at 0.83 sales per week per outlet with an average selling price of £509,000.

URBAN DEVELOPMENT

CURRENT CAPABILITIES

Urban development is showing signs of recovery, with big regional cities bouncing back, with footfall increasing. In the year, Kampus, a 533-unit BtR scheme in Manchester achieved practical completion and in addition, we completed the £89m Glass Works project in Barnsley city centre in June 2021.

3

INVESTMENT

The Group invested in c.1m sq ft of industrial and logistics development at Markham Vale, Rainham and Welwyn Garden, with a GDV of £84m. We also acquired two industrial estates in Skelmersdale and Manchester, which have been retained within the investment portfolio, for a combined £11m, at a blended net initial yield of almost 5%.

Read more on page 23

INVESTMENT

Hallam Land Management secured over 1,000 acres of land, which has the potential for around 7,600 plots, leaving the total land bank capable of delivering over 92,500 plots. Stonebridge Homes increased their land bank to 1,157 plots, of which 912 plots has either detailed, or outline planning permission.

Read more on page 24

INVESTMENT

The Group's construction business won £89m worth of urban development schemes in Sheffield and York. We also acquired a site at Summerhill, Birmingham with a GDV of £110m, which has the potential to deliver up to 404 BtR units.

Read more on page 25

Value for stakeholders

OUR PEOPLE

Our people 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

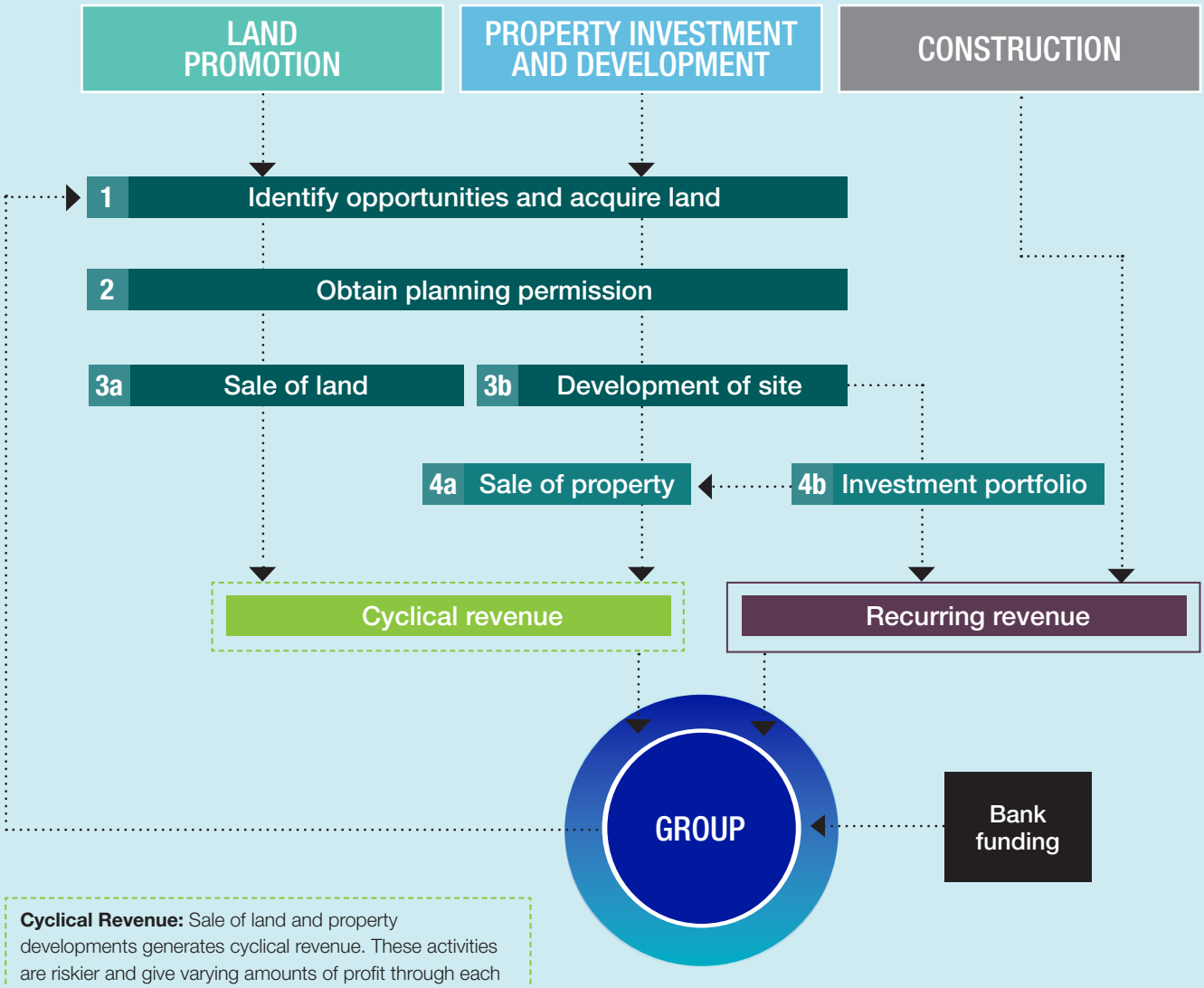
We are committed to maintaining our long standing track record of customer satisfaction. We continue to listen, understand and adapt how we can improve upon what we deliver, so we are able to further enhance the competitive advantage our Group brings to its customers.

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 OPERATING MODEL



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.

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.

Pictured: Mabgate, Leeds – 400 unit BtR scheme.

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 and commercial 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 select 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 £126m (including JVs) 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 National Highways to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. National Highways pays Road Link a fee based on the number of vehicles using the road and the mileage travelled.

Read the **Business Review** on pages 30 to 37

OUR MARKETS

The Group operates within three key sustainable markets: Industrial and Logistics, Residential and Urban Development. These markets are driven by long-term structural trends, such as population growth, rising numbers of households and shopping moving online. With these structural tailwinds supporting the markets, Henry Boot expect them to give momentum to future performance.

KEY LONG-TERM STRUCTURAL TRENDS AFFECTING OUR BUSINESS

URBANISATION

Despite the CV-19 disruption and the expected population increases over the longer term, major cities will be a significant driver of UK growth. According to the UN, central case scenario population will have grown to approximately 75.4m by 2050 with 90% of the population living in urban areas. 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. A Centre for Cities survey shows that being "close to restaurants/leisure and cultural facilities" was by far the biggest factor in determining city centre residents' location decisions.

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.

DEMOGRAPHICS

UK's population continues to grow, but at a slower rate than previously, with people living longer and the average size of households reducing. According to ONS data, the UK population reached an estimated 66.8m in mid-2019. The growth rate from mid-2018 to mid-2019, at 0.5%, was slower than any year since 2004. However, the most significant change in the working age population over the next 20 years is for 20–30-year-olds and 40–50-year-olds who are expected to increase by 4.2% and 6.5% respectively. Demographics therefore provide positive support for senior living and BtR aimed at young professionals.

ENVIRONMENT

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. This, alongside climate change and the need to reverse environmental degradation, has created higher demand for energy efficient green buildings with rising brown discount.

INDUSTRIAL AND LOGISTICS

MARKET OVERVIEW

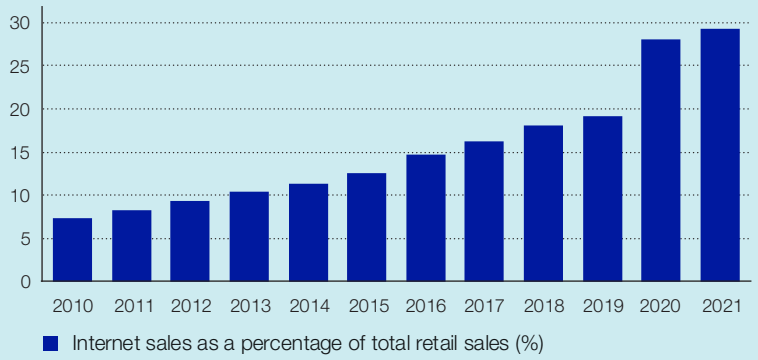
In 2021, there was a UK record industrial space take-up of 55.1m sq ft, with the market continuing to outperform both the office and retail property sectors. In particular, take-up of warehouse space was supported by online retailers, who continued to perform well in last year's lockdowns. This resulted in internet sales take home percentage of total retail sales increasing to just under 30% and according to DTRE, retailers accounted for 47.4% of UK take-up.

The pandemic clearly has played a significant role in accelerating e-commerce and the digital economy, which has resulted in the industrial and logistics sector performing with remarkable strength in recent times. This looks set to continue, and with vacancy rates at 2.9%, a record low, the market's outlook remains positive for the future.

What does Henry Boot have to offer:

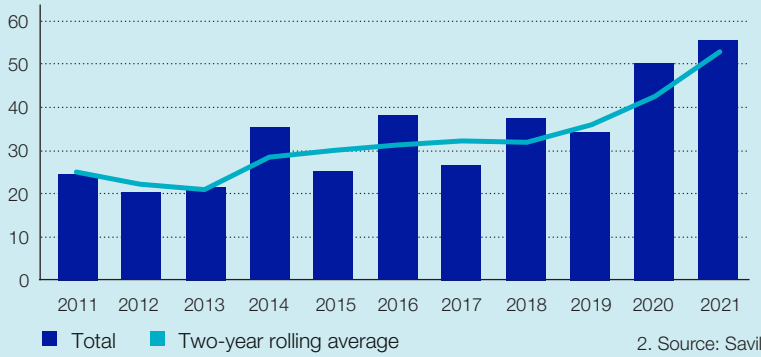
- A long-standing reputation and expertise in the sector, in particular the Group's 2,000,000 sq ft flagship scheme, Markham Vale has been offering industrial and logistics solutions since 2004, and in 2021 the scheme has been expanded by a further 750,000 sq ft.
- Last year, planning was secured at Phoenix 10, Walsall, a site capable of delivering c.620,000 sq ft and funding was secured at New Horizon Nottingham to commence and develop a 426,000 sq ft scheme of industrial and logistic space.
- In total, the Group is committed to develop c.1,000,000 sq ft of industrial and logistic space, with a GDV value of £187m GDV (HBD Share £165m).
- Industrial and logistics represents 75% of Henry Boot's £1.1bn development pipeline with the potential to deliver approximately 8,000,000 sq ft of space.

INTERNET SALES AS A PERCENTAGE OF TOTAL RETAIL SALES (%)[1]



1. Source: Office for National Statistics

BIG BOX TAKEUP – MILLION SQ FT[2]



2. Source: Savills

OUR MARKETS

RESIDENTIAL

MARKET OVERVIEW

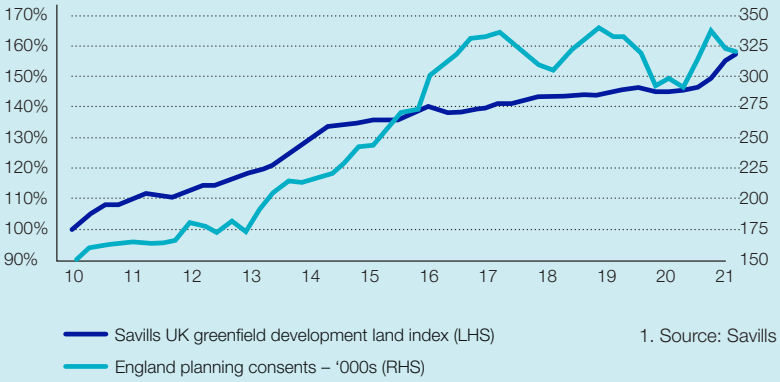
The residential market performed strongly in 2021, which resulted in a total house price growth of 10.8% last year according to HM Land Registry, as people continued to re-evaluate their housing needs. Housing affordability was also supported by low mortgage rates and the average mortgage payment remained stable at around 30% of people's take-home pay.

As a result of a buoyant housing market, there was robust demand from UK housebuilders for greenfield land, who were looking to quickly replenish their land portfolios to match the ongoing demand for new homes. According to Savills research, last year saw UK greenfield land values increase by 8.8%, the strongest annual growth since 2014.

What does Henry Boot have to offer:

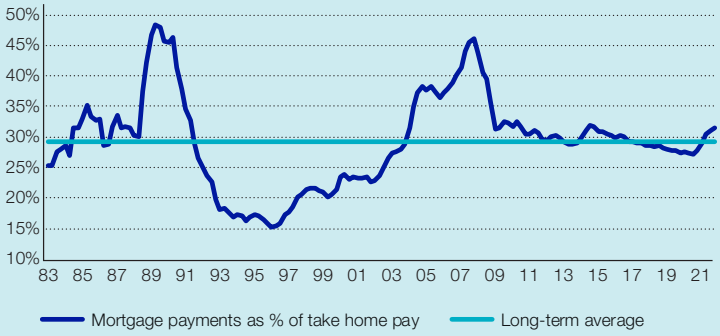
- Hallam Land Management has six offices located across the country and is well established and experienced in the complexities of the UK planning system.
- The Group has a strategic land bank of 18,012 acres, which has the potential to deliver over 92,500 residential plots.
- Stonebridge Homes, the Group's jointly owned housebuilder, offers further residential capabilities, with a total land bank of 1,157 plots and in 2021 increased the number of plots that have either detailed, or outline planning permission to 912 plots.

LAND VALUES AND PLANNING CONSENTS[1]



1. Source: Savills

FIRST TIME BUYER AFFORDABILITY[2]



2. Source: Nationwide

URBAN DEVELOPMENT

MARKET OVERVIEW

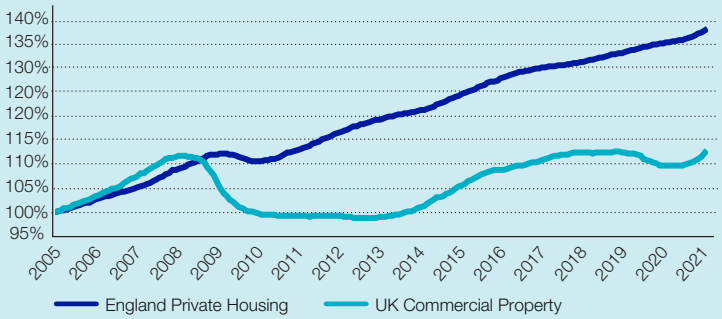
Whilst the Urban Development market has been impacted by CV-19, there have been signs that our big regional cities are bouncing back, with an increase in footfall. There is a continued belief that by 2050, 90% of the population will live in urban areas, with people choosing to live in rental accommodation within prime urban areas, not only for work reasons but for better lifestyle options in general.

Over the past decade, private renters have significantly increased, and whilst during the pandemic rates have slightly dropped, they remained relatively stable. In particular, BtR rents increased by an average of 8% according to Zoopla research and JLL expect BtR rental growth of 2.7% pa between 2021 and 2025, with regional growth strongest in Birmingham and Manchester.

What does Henry Boot have to offer:

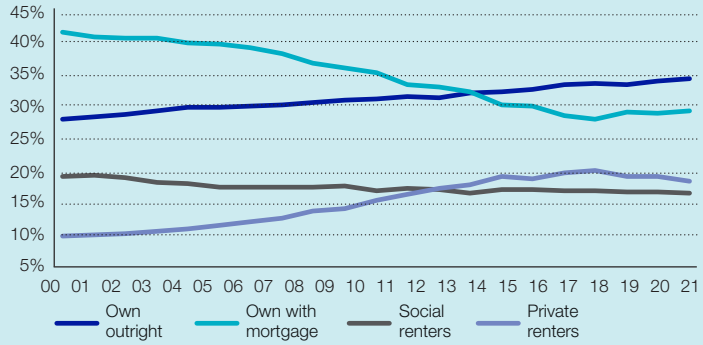
- The Group has a strong presence in key cites identified as target areas for BtR schemes.
- In 2021, the Group completed on Kampus, the 533-unit BtR development in Manchester and further expanded its BtR pipeline by acquiring a site at Summerhill, Birmingham (£110m GDV), which has the potential to deliver up to 404 units.
- Last year, Henry Boot Construction secured two urban development schemes in the city centre of Sheffield and York. Both schemes commenced work in 2021 and we will continue to seek and secure further opportunities within this market.

RENTAL GROWTH[1]



1. Source: Office for National Statistics

HOUSING TENURE[2]



2. Source: GOV.UK

OUR STRATEGY

OUR STRATEGY IS SHAPED BY FOUR KEY STRATEGIC PILLARS AND FOCUSES ON THREE LONG TERM MARKETS

KEY STRATEGIC PILLARS

SAFETY AND ENVIRONMENT
We aim to be the safest place to work in our markets and be respectful to our environment

GROWTH
Restore profit and grow capital employed to £500m by investing in our three key markets

DELIVERY
Adopt emerging working practices, investing and collaborating to deliver our operational targets

PEOPLE
Open, progressive, high performing business governed by clear objectives which engage diverse range of talent

Long-term Markets
- Industrial and logistics
- Residential
- Urban Development

Value Delivery
- LAND PROMOTION
- PROPERTY INVESTMENT AND DEVELOPMENT
- HOUSEBUILDING
- CONSTRUCTION

Returns
Grow Capital Employed to over £500m + Target ROCE 10–15% + Maintain a progressive dividend policy

Responsible Approach
People Strategy + ESG

Risk
Optimum gearing of 10–20% + minimum 70% committed development programme pre-let/pre-sold

2021 STRATEGY REVIEW

At the start of 2021, we set out a medium-term strategy focused around three key markets: Industrial & Logistics, Residential and Urban Development. Our markets, which are driven by long-term structural trends, have all performed well. In particular, we have seen demand for industrial & logistics space continue to be driven by the structural shift of retail sales moving online, whilst rising residential land prices reflect the continued demand from housebuilders benefiting from a strong sales market. Urban development in the form of BtR is experiencing healthy levels of rental growth of around 8% according to Zoopla research and occupier take up of offices is recovering, especially in the big regional cities we target.

Our main focus is to grow the business, by increasing capital employed by over 40% to £500m, whilst at the same time continuing to generate a ROCE of 10–15% and maintaining a progressive dividend policy.

During 2021, we made excellent progress with our strategy of growth, investing £60m in acquisitions, which, amongst other things, enabled us to grow Hallam Land's land bank by a further 1,000 acres (c.7,600 plots). £36.2m of the investment was put towards new development opportunities, including the £110m GDV BtR project in Summerhill, Birmingham, and a large industrial site in Rainham (GDV: £120m), which was purchased in a joint venture with Barings Fund (HBD share £24m).

We delivered an improved ROCE of 9.6% in 2021, whilst increasing our capital employed to £376m. We believe it will exceed £400m by the end of 2022, putting us on track to achieve our medium-term target of over £500m, and we anticipate being firmly in the target ROCE range of 10–15%.

There remains strong demand for our strategic land, with Hallam Land completing 3,008 plot sales in 2021 (2020: 2,000). With a further 1,880 plots already exchanged for completion over 2022–2023, we are very much on track to grow sales to an average of 3,500 plots per annum, as targeted.

HBD has trebled its committed development programme to £277m (2020: £85m), whilst also adding a further £194m of schemes to our £1.1bn future development pipeline, which means we are well ahead of our plan for HBD to complete on average £200m of developments per annum. The property investment portfolio has grown to £126m, including our share of JVs, with a strong valuation performance of 14.4% for the year.

Whilst demand for Stonebridge Homes' premium houses has been very strong, our ambition to grow units sold to 600 has been hampered by the slow planning process, due to CV-19 and a very competitive market for buying land. However, we increased completions to 120 units in 2021 (2020: 115) and are confident in the prospect of growing our completions to 200 units for 2022. We have also marginally increased the land bank to 1,157 units (December 2020: 1,119 units) and currently have several further land opportunities with agreed heads of terms.

During 2021, the construction business secured major urban development schemes in Sheffield and York, totalling £89m, with our order book 100% secure for 2022, well ahead of our target to secure a minimum of 65% at the start of each year. Public sector work remains our focus, accounting for 52% of Henry Boot Construction's 2022 order book. Banner Plant is trading above pre-pandemic levels with particularly strong demand from customers serving the housebuilding and construction markets.

The Group's Accident Incident Rate increased to 630 per 100,000 employees (2020: 466) in 2021, which is a result of incurring one extra RIDDOR than the previous reporting year. Despite this increase, the rate is still in line with our competitors, and we remain firmly committed to maintaining our robust health and safety procedures to ensure we continue providing a safe working environment for our people and subcontractors.

At the beginning of 2022 we launched our Responsible Business Strategy, which includes our Net Zero Carbon Framework, which has a medium-term target to reduce Scope 1 & 2 GHG emissions by over 20% and NZC by 2030. You can read more information on how we are going to achieve this on page 56.

In regard to our people targets, the Group's employee engagement survey achieved a response rate of 64% and an employee Net Promoter Score (eNPS) of 26 (2020: 46), which despite a score decrease, is still benchmarked as good. The Group Employee Forum (GEF) have reviewed the feedback from the survey to address the key outcomes and, after presenting their findings and suggestions of improvement to the Board, are now engaging with our people on their suggested solutions. Finally, to support our strategic growth, it is important that we create a high-performing culture by providing a wide range of training opportunities that continue to develop our people's skill sets.

This report contains the following alternative performance measures (APM): Return on Capital Employed. Net Asset Value (NAV) per share. Net (debt)/cash. Total Accounting Return. More details can be found on page 40.

OUR STRATEGY

OUR MEDIUM-TERM STRATEGIC OBJECTIVES & PERFORMANCE AT A GLANCE

Objective	KPI	Aim for 2022	Medium-Term Target	Link to Strategic Pillars and Group Risk
TO GROW CAPITAL EMPLOYED TO £500M	Capital Employed £352m (19), £365m (20), £376m (21)	To grow capital employed to over £400m	£500m	Strategic Pillar Risks 3 5
TO GENERATE A ROCE OF 10–15%	ROCE 14.8% (19), 4.9% (20), 9.6% (21)	To be firmly within stated range	10-15% pa	Strategic Pillar Risks 4 8 9 10 11 12
GROW HALLAM LAND'S PLOT SALES	Plot Sales 3,427 (19), 2,000 (20), 3,008 (21)	To be closely approaching the medium-term target	c.3,500 pa	Strategic Pillars Risks 3 4 5 11 12 13
GROW HBD DEVELOPMENT COMPLETIONS	Development Completions £404m (19), £55m (20), £69m (21)	To grow HBD share of completed developments, with committed programme grown to £277m for 2022	c.£200m pa	Strategic Pillars Risks 3 4 5 9 10
GROW INVESTMENT PORTFOLIO VALUE	Investment Portfolio £70m (19), £92m (20), £126m (21)	To maintain progress towards our stated target	c.£150m	Strategic Pillars Risks 3 4 9 13
GROW STONEBRIDGE HOMES HOUSE SALES	Unit Completions 159 (19), 115 (20), 120 (21)	To increase unit completions to 200	c.600 units	Strategic Pillars Risks 3 4 5 12 13

Objective	KPI	Aim for 2022	Medium-Term Target	Link to Strategic Pillars and Group Risk
HENRY BOOT CONSTRUCTION'S ORDER BOOK SECURED	Order Book Secured 95% (19), 80% (20), 100% (21)	100% order book at start 2022	>65%	Strategic Pillars Risks 3 4 8 13
WORK TOWARDS A MORE COORDINATED H&S APPROACH TO ENSURE OUR GROUP IS A SAFE PLACE TO WORK	Accident Incident Rate 233 (19), 466 (20), 630 (21)	To reaffirm our robust health & safety procedures through training and raising awareness	<395	Strategic Pillar Risks 1 2 4
REDUCE DIRECTLY CONTROLLED GREENHOUSE GAS EMISSION	Greenhouse Gas Emission N/A* *Target begins in 2022	To implement NZC plan across the Group	20% reduction	Strategic Pillar Risks 1 2 4 8 9 10 13
SEEK HIGH LEVELS OF EMPLOYEE SATISFACTION AND ENGAGEMENT	Employee Net Promoter Score (eNPS) 40 (eNPS) (19), 46 (eNPS) (20), 26 (eNPS) (21)	To engage with the GEF and address the feedback from the employee survey	40 (eNPS)	Strategic Pillar Risks 3 4 13
CREATE A HIGH PERFORMANCE CULTURE LED BY A RANGE OF TRAINING OPPORTUNITIES	L&D Interventions Delivered (per employee) 3.3 days (19), 2.8 days (20), 2.5 days (21)	To offer training which drives a high level of knowledge and improves the skill sets of our people	4 days (per employee)	Strategic Pillar Risks 3 4 13

Group strategic priorities

Safety, People, Growth, Delivery

Risks

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

BUSINESS REVIEW

LAND PROMOTION

NICK DUCKWORTH
HALLAM LAND
MANAGEMENT LIMITED

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

Hallam Land performed materially ahead of expectations in 2021, delivering an operating profit of £17.5m (2020: £14.2m) from selling 3,008 plots (2020: 2,000) at 14 locations. Encouragingly, average gross profit per plot grew by 21% to £7,820 (2020: £6,456), leaving the business firmly on track to reach its ambition of achieving the pre-CV-19 average gross profit per plot of £10,000.

UK greenfield land values increased by 8.8% in 2021 according to Savills Research, the strongest annual growth since 2014. A strong housing market has underpinned robust demand for sites as most major housebuilders have increased levels of land buying to match the ongoing demand for new homes.

RESIDENTIAL LAND PLOTS – REGIONAL SPLIT

Region	Plots	Percentage
Scotland	10,170	11%
North	7,396	8%
North Midlands	19,999	22%
South Midlands	20,392	22%
South	6,766	7%
South East	4,968	5%
South West	22,976	25%
Totals	**92,667**	**100%**

Hallam Land's land bank also grew steadily to 92,667 plots across the UK (2020: 88,070) at the year-end after securing over a further 1,000 acres of land, which has the potential for around 7,600 plots, subject to planning. Of the total portfolio, 8,013 plots are owned freehold with the balance of 84,654 secured through Planning Promotion Agreements (PPA) and Option Agreements. Whilst freeholds typically deliver a higher profit per plot, the use of PPAs and options means lower capital employed on each scheme, allowing us to maximise the number of land opportunities that we are promoting at any one time.

At the end of 2021, 12,865 plots had planning consent (or Resolution to Grant subject to S106). As our strategic land portfolio is held as inventory, these assets are held at the lower of cost or net realisable value. As such, no uplift in value is recognised within our accounts relating to any of the 12,865 plots and any increase in value created from securing planning permission will only be recognised on disposal.

The reduction in plots with planning consent in the strategic land bank during last year reflects both disposals in the period and continued delays in the planning system. With 11,259 plots (2020: 8,312) in planning, Hallam Land's scale and portfolio approach reduces the reliance on individual sites, allowing for any delays to be managed more effectively.

In relation to significant schemes, at the end of 2021, a revised Resolution to Permit at Didcot was secured for 2,170 plots and during Q1 we signed the S106, securing the grant of planning consent and expect to sell this major site in Spring 2022. Eastern Green, Coventry, the 2,400 plot and 37 acres of commercial development site, cleared a Judicial Review, with infrastructure works beginning in Q1 22. Marketing has now begun on the first phase of the site, with 250 plots expected to be disposed of later in 2022. Furthermore, at Swindon, 1,000 plots were granted Outline Consent, with negotiations beginning between Hallam Land and the vendor for acquisition of the land under an option agreement.

At the beginning of 2022, Hallam Land already had 1,880 plots exchanged for completion in 2022/23, leaving the business well placed to meet its annual target and strategic growth plans for the year.

RESIDENTIAL LAND PLOTS

	With permission						
	b/f	granted	sold	c/f	In planning	Future	Total
2021	**15,421**	**452**	**(3,008)**	**12,865**	**11,259**	**68,543**	**92,667**
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

BURDIEHOUSE, EDINBURGH

IN 2021, HALLAM LAND MANAGEMENT COMPLETED THE SALE OF 92 PLOTS AT BURDIEHOUSE ON THE EDGE OF EDINBURGH TO NATIONAL HOUSEBUILDER BARRATT DEVELOPMENTS AT A TOTAL PRICE OF £2.3M. THE SALE REPRESENTS THE THIRD IN A SERIES OF COMPLETIONS ON THE SITE, WHICH IN TOTAL HAS NOW SOLD 425 PLOTS IN THREE SEPARATE PHASES FOR A TOTAL PRICE OF £12.1M.

PLANNING GRANTED

The 75-acre site was first contracted under option in 2006 and after a period of sustained promotion through the City of Edinburgh Local Plan review process, the land was partially granted Planning in Principle for approximately 100 houses in February 2012. The site was subsequently purchased in Autumn 2012 whilst negotiations on a planning gain package were still ongoing. Additional community benefits included within the planning gain package are contributions towards new cycle path networks and a healthcare facility.

A PHASED APPROACH

After purchasing the freehold, the first phase was marketed and sold to Barratt Developments in 2013, with subsequent phases sold through to this year. The first phase was granted outline consent for 122 houses in June 2012 and was sold in 2013. After which, a further Phase 2 sale for 211 houses and flats was completed in August 2015, the construction of which was completed in May 2021. Finally, after a long examination process, the City of Edinburgh Local Development Plan was adopted in November 2016 with a further 20 acres identified for housing, which resulted in HLM selling an additional 92 plots as part of the third and latest phase.

"WE ARE DELIGHTED TO HAVE COMPLETED THE THIRD SALE TO BARRATT DEVELOPMENTS ON OUR THRIVING SITE IN BURDIEHOUSE. THERE CONTINUES TO BE A STRONG DEMAND FROM HOUSEBUILDERS ACROSS THE UK FOR STRATEGIC LAND AND WE REMAIN ACTIVELY FOCUSED ON REPLENISHING OUR LAND BANK TO ENSURE WE CAN CONTINUE TO MEET THIS DEMAND."

NICK DUCKWORTH
MANAGING DIRECTOR, HALLAM LAND MANAGEMENT LIMITED

BUSINESS REVIEW

PROPERTY INVESTMENT AND DEVELOPMENT

EDWARD HUTCHINSON
HENRY BOOT DEVELOPMENTS LIMITED

DARREN STUBBS
STONEBRIDGE HOMES LIMITED

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

Property Investment and Development, which includes HBD and Stonebridge Homes, delivered a combined operating profit of £18.3m (2020: £4.9m). According to the CBRE UK Monthly Index, commercial property values increased by 13.8% in 2021. Industrial & logistics, which forms 75% of Henry Boot's development pipeline, continued to outperform the office and retail sectors as a result of both strong rental growth and yield compression. Last year, there was record industrial take-up of 55.1m sq ft according to Savills, up 86% since the onset of the CV-19 pandemic (units above 100,000 sq ft). Given the strong levels of occupier demand, supply has fallen significantly with the UK vacancy rate now standing at just 2.9%, the lowest ever recorded.

In total, HBD completed on seven developments with a total GDV of £303m (HBD share £69m), with 92% of these schemes currently pre-let or pre-sold.

2021 COMPLETED SCHEMES

Scheme	GDV (£'m)	Share of GDV (£m)	Commercial ('000 sq ft)	Residential (units)
Industrial				
Markham Vale, Aver	22	22	297	–
Wakefield Hub, Kitwave	7	3	65	–
Preston East Spec	11	5	70	–
Enfield, Montagu 406	25	13	55	–
	65	43	487	–
Urban Residential				
Manchester, Kampus	216	11	44	533
Land & other				
Wakefield Hub, Mountpark	15	8	2,000	–
Skipton, Bellway	7	7	–	184
	22	15	2,000	184
Total for the year	**303**	**69**	**2,531**	**717**

Included within the completed schemes was 487,000 sq ft of industrial and logistics development, with a total value of £65m GDV (HBD share £43m). This includes Enfield and Preston East, where lettings have already been agreed on over 90% of the combined schemes, and 297,000 sq ft at Markham Vale sold on a forward funding basis for Aver. There has also been good progress made at Wakefield Hub, where a land disposal was completed with Mountpark for a 2m sq ft unit and construction of a 65,000 sq ft unit pre-let for Kitwave completed shortly after the year-end. In Urban Residential, Kampus, the 533-unit BtR scheme in Manchester, achieved practical completion in Q4 2021 and has since attracted strong letting interest, with the occupancy level ahead of the business plan.

The committed programme grew materially to 14 schemes with a GDV of £352m (HBD share £277m), 72% of which is pre-let or pre-sold.

2022 COMMITTED PROGRAMME

Scheme	GDV (£m)	Share of GDV (£m)	Commercial ('000 sq ft)	Residential (units)	Status	Completion
Industrial						
Pool, MKM	4	4	15	–	Pre-let	Q2 22
Southend	12	12	75	–	Speculative	Q3 22
Nottingham, New Horizon	54	54	426	–	Forward funded	Q2 23
Wakefield Hub, Plot 6	44	22	260	–	Forward funded	Q1 23
Walsall, Phoenix 10	37	37	–	–	Forward funded	Q2 24
Luton, Diploma	20	20	85	–	Pre-let	Q2 23
Luton	16	16	82	–	Speculative, now 100% pre-sold or pre-let	Q1 22
	187	165	943	–		
Urban Residential						
Birmingham, Setl	32	32	–	101	Speculative	Q3 23
Clocktower, York	8	8	–	21	Forward funded	Q2 22
TDT, York	22	22	–	n/a	Pre-sold	Q1 23
Aberdeen, Bridge of Don	12	1	–	TBC	To be pre-sold	Q4 22
Aberdeen, Cloverhill	18	9	–	536	Pre-sold and DM Fee	Q4 23
Skipton (2), Bellway	7	7	–	184	Pre-sold	Q3 22
	99	79	–	842		
Urban Commercial						
Island, Manchester	66	33	91	–	Speculative	Q3 24
Total for year	**352**	**277**	**1,034**	**844**		
% sold or pre-let (incl Island)	**65%**	**72%**				

Pictured: Setl, Birmingham, a 101-unit BtS scheme

BUSINESS REVIEW

PROPERTY INVESTMENT AND DEVELOPMENT

Within the committed programme, there is currently £187m GDV (HBD Share £165m) and nearly 1m sq ft of industrial & logistics development. In this regard:

- Planning was secured at Phoenix 10, Walsall, in H2 21, a site capable of delivering c.620,000 sq ft of industrial and logistic space. Infrastructure works, which have been forward funded, are set to commence in Q2 2022, ahead of commencing development.
- At Wakefield Hub, a new 260,000 sq ft unit has been pre-let to a German pharmaceutical company and forward funded to an institution. Demand for industrial investments is extremely strong. Work is due to start on site in Q2 2022.
- Exchanged contracts with Oxenwood Real Estate, an investment management business, on a forward funding basis to commence development of 426,000 sq ft scheme with a £54m GDV at New Horizon, Nottingham.
- A further 157,000 sq ft of speculative development, representing a GDV of £28m is also under construction at Butterfields, Luton and Southend with completions anticipated in Q1 and Q3 of 2022 respectively. 57% has been pre-let at terms ahead of our expectations.

The committed programme also includes the premium Build-to-Sell (BtS) scheme known as Setl, located in Birmingham, where construction has commenced and is set to deliver 101 units. Completion is timetabled for Q3 2023. Additionally, in urban commercial, the Group is developing a £66m GDV scheme (HBD share £33m) called Island in a JV with Greater Manchester Pension Fund (GMPF), for a ten-storey building totalling 91,000 sq ft. The building is targeting EPC 'A' Rating and BREEAM Excellent, effectively a NZC office proposition in the centre of Manchester, one of the first in the city.

Throughout 2021, HBD acquired new development opportunities with a total GDV of £194m. This included expanding its BtR development pipeline by acquiring a site at Summerhill, Birmingham (£110m GDV), which has the potential to deliver up to 404 units. A further two industrial sites were acquired in the South East, the first is in Rainham, East London (£24m GDV HBD share), which was purchased in partnership with Barings and has the potential to deliver 368,000 sq ft of employment use. The second is located in Welwyn Garden City (£20m GDV), and has the potential to deliver 71,112 sq ft. Finally, the Group extended its flagship industrial and logistics development scheme, Markham Vale, by a further 750,000 sq ft (£40m GDV), with a planning application on the site set to be determined in H1 2022.

After making a number of key acquisitions, HBD's total development pipeline has been maintained at a GDV of £1.4bn (HBD share £1.1bn). All of these opportunities sit within the Company's three key markets of Industrial & Logistics (75%), Urban Residential (17%) and Urban Commercial (8%).

This includes a potential near-term development pipeline of £367m, where the main focus is:

- to secure sufficient pre-lets/sales in order to commit to a further 1m sq ft of industrial space on top of the c.950,000 sq ft already under construction; and
- to secure partners for the delivery of two BtR schemes with a combined total of 614 units (Mabgate 210 units & Summerhill 404 units) at Leeds and Birmingham.

In 2021, HBD was selected as preferred bidder to deliver Cheltenham Borough Council's Golden Valley regeneration scheme, immediately adjacent to GCHQ. The total development is expected to create 12,000 new jobs, 3,700 new homes and 2m sq ft of commercial space, with Cyber Central UK at the heart of a visionary integrated campus focused on cyber and digital innovation. A development agreement is expected to be signed shortly. At the moment, this has not been included in HBD's pipeline.

The total value of the Group's investment portfolio (including share of properties held in JVs) has increased to £126m (2020: £92m). The underlying valuation growth of 14.4% was principally as a result of the uplift in industrial & logistics assets, with the portfolio also increasing through acquisitions at Skelmersdale (£4.8m) and City Court, Manchester (£5.7m), plus retained completed developments at Wakefield and Enfield (£21.7m HBD share). The total property return of 19.5% for 2021, was in line with the CBRE UK Monthly Index (19.9%). Rent collection for FY 2021 stands at 98% with occupancy slightly increasing to 85% (2020: 84%) and the weighted average unexpired lease term is now 16.1 years (14.9 years to first break).

Stonebridge Homes continues to perform well with 120 house completions (75 private/45 social) (2020: 115) at an average selling price for private units of £509k (2020: £368k), and a materially improved average sales rate of 0.83 units per week per outlet (2020: 0.61). The housing market once again saw strong demand, with a total house price growth of 10.8% last year according to HM Land Registry. House prices in nearly every region of the UK increased more in 2021 than in 2019 and 2020 combined, with especially strong growth in Yorkshire and Humberside and the North West.

The total Stonebridge Homes owned and controlled land bank has grown marginally to 1,157 units (2020: 1,119). In total, five sites (491 plots) were added to our land bank with detailed or outline planning, whilst a further seven sites (245 plots) are currently progressing through planning. Despite continued related delays in the planning system, the number of plots that have either detailed, or outline planning permission increased to 912 plots (2020: 657). Stonebridge Homes has 4.6 years supply based on a one-year rolling forward sales forecast for land with planning or 5.8 years for its full land bank.

Stonebridge Homes begins 2022 in good shape, increasing its active sales outlets to six, with 77% of reservations already secured against its delivery target of 200 units (140 private/60 social). The increase of plots with planning permission in the land bank has also secured a pipeline that will help us achieve our growth targets for 2022/2023. This, plus the several sites under offer, means the business is confident of achieving its growth aspirations.

ISLAND, MANCHESTER

ISLAND IS LOCATED IN A CENTRAL MANCHESTER CONSERVATION AREA. IT IS A £66M GDV (HBD SHARE £33M) JOINT-VENTURE PARTNERSHIP BETWEEN HBD AND THE GREATER MANCHESTER PENSION FUND (GMPF), DELIVERING 91,000 SQ FT OF NEXT GENERATION WORKSPACE REDEVELOPMENT.

With seven architects' practices originally competing to get involved, we were able to ensure the very best talent was involved in devising a design-led approach to the project.

ONE OF THE FIRST OF ITS KIND

The site is surrounded by King Street, Manchester Town Hall and Spinningfields, and will comprise ten storeys, complete with a basement and roof terrace. The space will be accompanied by a selection of independent vendors, creating a hospitality-driven experience throughout the ground floor, and will be in keeping with the authentic Manchester heritage feel with detailed brickwork and industrial theme.

Island will be HBD's first net zero carbon smart enabled building, and one of the first workspace developments of this type in the whole of Manchester. It will be NZC in both embodied and operational carbon, with the project utilising low carbon technologies to support tenants' health and wellbeing.

THE FUTURE

Island will be designed to embrace a new hybrid model of working, with seamless technology being combined with a scheme design to enable people to work fluidly. Work started on site in Q1 2022, with completion due for Q3 2024 and, based on its ESG credentials, good levels of occupier interest are anticipated.

Island is an important part of the wider regeneration of this part of Manchester city centre, and is set to be a robust, well-crafted building that will stand the test of time.

"ISLAND IS A REAL STATEMENT OF INTENT, AND DEMONSTRATES OUR CONFIDENCE NOT ONLY IN MANCHESTER BUT IN THE FUTURE OF WORKSPACE MORE BROADLY. TARGETING THE HIGHEST SUSTAINABILITY STANDARDS, THE PROJECT'S INNOVATIVE DESIGN, COMBINED WITH ITS PEOPLE-FOCUSED AND 'SMART' OFFICE SPACE, ALIGN PERFECTLY WITH THE ENHANCED STANDARDS THE MODERN OCCUPIER DEMANDS."

ED HUTCHINSON
MANAGING DIRECTOR, HBD

BUSINESS REVIEW

CONSTRUCTION

TONY SHAW
HENRY BOOT CONSTRUCTION LIMITED

JONATHAN FISHER
BANNER PLANT LIMITED

TREVOR WALKER
ROAD LINK (A69) LIMITED

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

Trading in the Group's construction segment has been strong, achieving an operating profit of £9.0m (2020: £6.5m). UK construction activity continued to recover in 2021, with annual output increasing by 12.7%, largely driven by infrastructure. Monthly output in December 2021 was 0.3% above the February 2020 pre-CV-19 level.

Henry Boot Construction, the Group's construction business, performed ahead of expectations, delivering a turnover of £81.6m (2020: £86.2m) (68% in public sector) and begins 2022 with a full order book. The majority of this year's order book now has fixed price orders placed with the supply chain or, where this has not been possible, includes contractual inflation clauses with customers.

The Glass Works in Barnsley, an £89m urban development, was successfully completed in June 2021 with the centre opening on 9 September 2021, meeting the anchor tenants' opening dates. Unfortunately, the £13m remodelling and refurbishment scheme, Opera North in Leeds, did experience delays due to the initial pause of installing the necessary safety procedures as a result of the outbreak of CV-19. However, despite experiencing further disruptions caused by the pandemic, the scheme completed in October 2021.

In H1 2021, Henry Boot Construction secured and commenced a £42m urban development scheme, Heart of the City, for Sheffield City Council and Queensberry Development Management. The scheme is making good progress and will provide major mixed-use space including a seven-storey NZC office building in the centre of Sheffield. Works on Henry Boot Construction's first £38.9m BtR scheme known as Kangaroo Works in Sheffield also commenced on site in April 2021 and is progressing on schedule, with completion targeted for Spring 2023. Additionally, a £47m urban residential development, the Cocoa Works in York, was won. The seven-storey 279 apartment scheme is being delivered for Latimer Developments and commenced on site Q3 2021, with completion due at the end of 2023.

At the end of 2021, Henry Boot Construction continued to sit on ten public sector frameworks, including the newly launched four-year DfE Framework, and are currently working on seven schemes through public sector frameworks with a total contract value of £15m. Post year-end, Henry Boot Construction have successfully secured a further two public frameworks, a P23 NHS Framework for projects up to £20m across Yorkshire, Humberside and East Midlands and the new regional YORbuild3 medium value framework for projects between £4m and £10m.

Banner Plant is trading ahead of pre-pandemic levels and is experiencing strong demand due to the positive performance of the UK housing and construction markets, resulting in live contract count increasing by 17% to 3,261 (2020: 2,786). Road Link (A69) has been impacted by low traffic levels in H1 2021, resulting in a slight decrease in performance levels; however, trading levels have stabilised and are now close to pre-CV-19 levels. The concession has a further four years remaining before reverting back to National Highways.

The Cocoa Works, Latimer by Clarion Housing Group©

COCOA WORKS, YORK

HENRY BOOT CONSTRUCTION BEGAN WORK ON THE COCOA WORKS IN Q4 2021. WE WERE APPOINTED TO UNDERTAKE THE £80M (£47M CONTRACT VALUE TO HENRY BOOT CONSTRUCTION) REFURBISHMENT OF THE HISTORIC SITE, WHICH WAS HOME TO THE ROWNTREE FACTORY FROM 1890 AND HAD OVER 6,000 EMPLOYEES BY THE 1920s, PRODUCING WORLD-FAMOUS CONFECTIONERY BRANDS.

The building has laid derelict for a decade, and will be converted into a vibrant hub of distinctive one, two and three-bedroom and studio apartments with landscaped gardens. In addition, the old Joseph Rowntree Memorial Library will also be refurbished, providing a character-filled community space that will be home to a concierge service for residents and a private working space.

PRESERVING AND CELEBRATING HERITAGE

We are looking forward to delivering a new, exciting future for this striking building, which is integral to York's social history. Once complete, the Cocoa Works will comprise a total of 279 apartments, featuring seven studios, 111 one-bedroom, 146 two-bedroom and 15 three-bedroom homes. The plans for the eight-hectare site will ensure original features of the building are celebrated and incorporated into designs.

LEAVING A LASTING LEGACY

As part of our commitment to York, and as a major employer across the region, the Cocoa Works is being delivered with the aim of providing valuable social value outputs through our local supply chain and site-specific employment and training initiatives that leave a lasting legacy. We are excited to see the return of a vibrant community around a building so symbolic to York, and one with such an iconic history and heritage.

"THE ROWNTREE FACTORY IS SYNONYMOUS WITH YORK AND IT'S A REAL PRIVILEGE TO RE-ESTABLISH A COMMUNITY AND BRING LIFE BACK TO SUCH AN ICONIC HERITAGE BUILDING. HENRY BOOT IS COMMITTED TO SENSITIVE RESTORATION AND WE ARE LOOKING FORWARD TO DELIVERING A NEW, EXCITING FUTURE FOR THIS STRIKING BUILDING, WHICH IS INTEGRAL TO YORK'S SOCIAL HISTORY."

TONY SHAW
MANAGING DIRECTOR, HENRY BOOT CONSTRUCTION LIMITED

FINANCIAL REVIEW

A STRONG SET OF FINANCIAL RESULTS

DARREN LITTLEWOOD
GROUP FINANCE DIRECTOR

WHAT WE DID IN 2021

The Group performed strongly in 2021, increasing activity levels across the Group

- 23% increase in operating profit, generated by land disposals and property valuation gains
- Invested £60m across the Group to grow our pipeline of opportunities

The Group has delivered a strong set of financial results as markets have adapted and recovered from CV-19 and, we have made further significant investments in our key markets, redeploying cash and debt facilities into operational assets.

Occupier and investor demand in the industrial and logistics market has driven both development and valuation gains within our property investment and development segment, which, along with an increase in the average selling prices of Stonebridge Homes, has resulted in a 274% increase in the segment's operating profit. UK housebuilding demand has also driven increased strategic land activity within our land promotion segment, resulting in a 23% increase in operating profit, generated by the disposal of 3,008 residential plots during the year.

The Group itself has made significant capital investments, increasing investment property by £21.5m to £104.2m (£125.9m including our share of JVs) and inventories by £34.5m to £235.3m, through acquisition of new development opportunities, ongoing development of existing assets and strategic land purchases. Along with further investments in our joint venture businesses, we continue to grow our pipeline of opportunities in each segment, which will help us meet our future strategic growth and return targets.

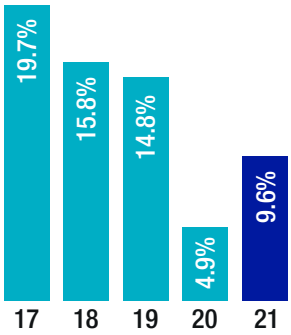
"WE HAVE MADE FURTHER SIGNIFICANT INVESTMENTS IN OUR KEY MARKETS, REDEPLOYING CASH AND DEBT FACILITIES INTO OPERATIONAL ASSETS."

SUMMARY OF FINANCIAL PERFORMANCE

Scheme	2021 £'m	2020 £'m	Change %
Total revenue			
Property investment and development	**69.4**	85.5	-19
Land promotion	**58.6**	21.0	+179
Construction	**102.6**	115.9	-11
	230.6	222.4	+4
Operating profit/(loss)			
Property investment and development	**18.3**	4.9	+273
Land promotion	**17.5**	14.2	+23
Construction	**9.0**	6.5	+38
Group overheads	**(9.3)**	(8.1)	-14
	35.5	17.5	+103
Net finance cost	**(0.4)**	(0.4)	–
Profit before tax	**35.1**	17.1	+105

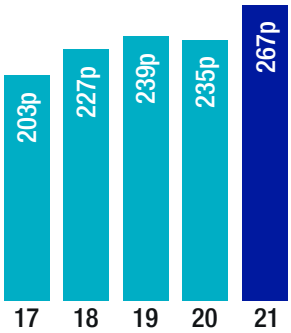
RETURN ON CAPITAL INVESTMENT

9.6%



NAV PER SHARE

267p



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue increased 4% to £230.6m (2020: £222.4m) as transactional activity in the land promotion segment improved disposing of 3,008 plots (2020: 2,000) and the average selling price by Stonebridge Homes increased 38% to over £500k per unit (2020: £368k). Revenue within the property investment and development segment reduced overall as we are increasingly transacting through joint venture entities reported on a net basis in share of profits of joint ventures and associates. The construction segment completed the £89m Glass Works urban development scheme in Barnsley and commenced new urban development works on the Heart of the City and Kangaroo Works schemes in Sheffield, effectively securing revenue for 2022.

Gross profit of the Group increased 37% to £55.5m (2020: £40.5m), a gross profit margin of 24% (2020: 18%) reflecting the higher margin returns from land promotion activities. Administrative expenses increased by £3.4m (2020: £0.9m decrease) including £0.8m full repayment of the Coronavirus Job Retention Scheme monies as well as an increase in staff costs and general expenditure, which were curtailed during the prior year due to CV-19.

Pension expenses of £6.0m (2020: £4.6m) are £1.4m higher than the prior year. Following a consultation with active members of the defined benefit pension scheme early in 2021, the Group closed the scheme to future accrual with an associated cost of £2.2m.

Property revaluation gains of £8.0m (2020: £1.3m) were the net effect of uplifts of £10.3m (2020: £5.7m) generated largely from increases in the fair value of industrial assets, from the re-gearing of existing leases and from completion of assets under construction, offset by the recognition of valuation deficits of £2.3m (2020: £4.4m) on a number of other properties, which, for the most part are those subject to future development.

Profit on the sale of investment property of £1.3m (2020: loss of £0.1m), includes the opportune disposal of a newly developed retail site in Huyton to a national supermarket retailer.

Share of profit of joint venture and associates of £8.9m (2020: £1.8m) includes industrial development disposals and valuation uplifts on a number of schemes in the property investment and development segment.

Profit on disposal of joint ventures and subsidiaries in the prior year of £7.4m principally included the disposal of a 50% interest in a joint venture entity in our land promotion segment.

Overall, operating profits increased by 103% to £35.6m (2020: £17.5m) and, after adjusting for net finance costs, we delivered a PBT of £35.1m (2020: £17.1m).

The segmental result analysis shows that property investment and development produced an increased operating profit of £18.3m (2020: £4.9m), arising from growing commercial rent rolls, increases in the fair value of industrial properties, profits from joint ventures in Huddersfield, Enfield and Wakefield, the profit on disposal of a retail unit at Huyton and an increase in the average selling price of housing units. Land promotion operating profit increased 23% to £17.5m (2020: £14.2m) as we disposed of 3,008 residential plots during the year (2020: 2,000). Construction segment operating profits increased to £9.0m (2020: £6.5m) as productivity levels increase and due to a prior year impairment charge of £2.0m. We continue to show how the benefits of a broad-based operating model allow us to manage the impact in these cyclical markets during challenging times and capitalise on market recoveries in the aftermath.

FINANCIAL REVIEW

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 £4.5m (effective rate of tax: 12.8%) (2020: £3.4m; effective tax rate: 20%) and is lower (2020: higher) than the standard rate of tax due to adjustments in respect of earlier years arising from additional loss relief on asset disposals (2020: 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). Current taxation on profit for the year was £1.1m (2020: £3.1m), deferred tax was £3.4m (2020: £0.3m).

EARNINGS PER SHARE AND DIVIDENDS

Basic earnings per share increased 135% to 21.2p (2020: 9.0p) as performance continues to recover post CV-19 and in line with the increase in profits attributable to owners of the Parent Company. Total dividend for the year increased 10% to 6.05p (2020: 5.50p), with the proposed final dividend increasing to 3.63p (2020: 3.30p), payable on 1 June 2022 to shareholders on the register as at 6 May 2022. The ex-dividend date is 5 May 2022.

RETURN ON CAPITAL EMPLOYED (ROCE)

Higher operating profit in the year saw an increased ROCE[1] to 9.6% in 2021 (2020: 4.9%). While this shows a significant recovery from the initial impact of CV-19, 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.

FINANCE AND GEARING

Net finance costs remain at £0.4m (2020: £0.4m). Having maintained a cash surplus during the uncertainties of Brexit and CV-19, the Group made a number of strategic investments in 2021, bringing us back within our optimal gearing range of 10%–20%. While interest rates are beginning to rise, they remain at low levels and are an effective source of funding for the Group.

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 31 times (2020: 13 times). No interest incurred in either year has been capitalised into the cost of assets.

The Group's banking facilities were agreed on 23 January 2020 at £75.0m. The facility includes an additional accordion facility of £30.0m, which can be called upon at the Group's request. The facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions. On 19 January 2022, the banks agreed to the Group's second extension taking the facility to 23 January 2025. The Group had drawn £50.0m of the facility at 31 December 2021 (2020: £nil).

On 20 December 2021, the Group signed an additional £25.0m receivables purchase agreement with HSBC that allows it to draw funds on transfer of deferred income receivables to the bank. The risk and rewards of ownership are deemed to fully transfer to HSBC and, therefore, this agreement is recorded off balance sheet. No amounts were utilised under the terms of the agreement at 31 December 2021; however, the Group did make its first drawdown of £6.2m in January 2022.

2021 year-end net debt[3] was £43.5m (2020: net cash £27.0m) resulting in the Group net debt having gearing of 12.2% (2020: no gearing). Total year-end net cash includes £2.9m (2020: £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

	2021 £'m	2020 £'m
Operating profit	**35.6**	17.5
Depreciation and other non-cash items	**(13.9)**	(5.1)
Net movement on equipment held for hire	**(4.8)**	(1.0)
Movement in working capital	**(55.5)**	9.7
Cash generated from operations	**(38.6)**	21.1
Net capital investment	**(20.9)**	(9.5)
Net interest and tax	**(5.0)**	(6.8)
Net dividends	**(6.2)**	(3.6)
Other	**0.2**	(1.2)
Change in net cash	**(70.5)**	—
Net cash brought forward	**27.0**	27.0
Net (debt)/cash[3] carried forward	**(43.5)**	27.0

During 2021, the cash outflow from operations amounted to £38.6m (2020: £21.1m inflow) after net investment in equipment held for hire of £4.8m (2020: £1.0m), and cash outflows from a net increase in working capital of £55.5m (2020: £9.7m decrease). Our increase in working capital arises from additional investment in property developments in progress, our housebuilding land portfolio and from growing trade receivables as commercial activity levels rise.

Net capital investment of £20.9m (2020: £9.5m) arose from additions to investment property and property, plant and equipment of £18.4m (2020: £12.9m) and investment in joint ventures of £13.7m (2020: nil), which were offset by disposals of investment property and property, plant and equipment and joint ventures of £10.7m (2020: £3.4m).

Net dividends, totalled £6.2m (2020: £3.6m), with those paid to equity shareholders of £7.6m (2020: £4.6m) increasing by 65% and, dividends to non-controlling interests of £0.7m, being offset by dividends received from joint ventures during the year of £2.2m (2020: £2.2m).

After net interest and tax of £5.0m (2020: £6.8m), there was an overall outflow in net cash of £70.5m (2020: no movement), resulting in net debt of £43.5m (2020: £27.0m net cash).

NOTES:

1. Return on Capital Employed is an alternative performance measure (APM) and is defined as operating profit/average of total assets less current liabilities at the opening and closing balance sheet dates.
2. Net Asset Value (NAV) per share is an APM and is defined using the statutory measures net assets/ordinary share capital.
3. Net (debt)/cash is an APM and is reconciled to statutory measures in note 32.
4. Total Accounting Return is an APM and is defined as the growth in NAV per share plus dividends paid, expressed as a percentage of NAV per share at the beginning of the period.

STATEMENT OF FINANCIAL POSITION SUMMARY

	2021 £'m	2020 £'m
Investment properties	**104.2**	82.7
Intangible assets	**3.7**	4.3
Property, plant and equipment, including right-of-use assets	**27.9**	25.9
Investment in joint ventures and associates	**12.2**	5.8
	148.0	118.7
Inventories	**235.3**	200.8
Receivables	**114.0**	85.6
Payables	**(85.1)**	(89.6)
Other	**(1.2)**	7.4
Net operating assets	**411.0**	322.9
Net (debt)/cash[3]	**(43.5)**	27.0
Retirement benefit obligations	**(12.2)**	(36.4)
Net assets	**355.3**	313.5
Less: Non-current liabilities	**20.4**	51.4
Capital employed	**375.7**	364.9

Investment properties increased in value to £104.2m (2020: £82.7m), following the acquisition of two industrial sites at Skelmersdale and City Court, Manchester, both of which present medium-term redevelopment prospects and the construction and retention of an industrial asset at Wakefield, partially offset by the opportune disposal of a newly developed retail site in Huyton.

Intangible assets reflect the Group's investment in Road Link (A69) of £2.3m (2020: £2.7m) and goodwill of £1.4m (2020: £1.6m). 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 National Highways at the end of the concession period in 2026.

Property, plant and equipment comprises Group occupied buildings valued at £6.6m (2020: £6.9m) and plant, equipment and vehicles with a net book value of £21.3m (2020: £19.0m), including £1.6m (2020: £2.1m) of right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have increased as new additions of £6.8m (2020: £3.6m) are offset by disposals and the depreciation charge for the year. Right-of-use assets have decreased in the year as the Group's lease liabilities unwind.

Investments in joint ventures and associates increased £6.4m to £12.2m (2020: £5.8m) arising from the Group's share of profits of £8.9m, including fair value uplifts of £7.0m. 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 £235.3m (2020: £200.8m) with property inventory increasing to £75.2m (2020: £44.4m) as the Group invested in a BtR opportunity in Birmingham, a speculative multi-let industrial/warehouse scheme in Welwyn Garden City and further progressing existing development schemes. Increasing our housebuilder land and work in progress to £52.5m (2020: £39.2m) as we continue to invest in land, expand regionally into the North East and having reservations against 77% of its 2022 sales target. 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 increased £28.4m to £114.0m (2020: decreased £85.6m) due to an increase in commercial 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 £85.1m (2020: £89.6m) with trade and other payables decreasing to £73.9m (2020: £75.1m), provisions increasing to £6.3m (2020: £5.9m) as strategic land provisions grow, contract liabilities decreasing to £5.0m (2020: £7.4m), arising from payments received for work not yet undertaken.

Net debt[3] included cash and cash equivalents of £11.1m (2020: £42.1m), borrowings of £52.9m (2020: £12.9m) and lease liabilities of £1.7m (2020: £2.2m). In total, net debt was £43.5m (2020: 27.0m net cash).

At 31 December 2021, the IAS 19 pension deficit relating to retirement benefit obligations was £12.2m, compared with £36.4m at 31 December 2020, the favourable movement is due to an increase in the discount rate applied to future liabilities to 2.0% (2020: 1.4%). The pension scheme's assets continue to be invested globally, with high-quality asset managers, in a broad range of assets. The pension scheme Trustee regularly considers the merits of both the managers and asset allocations and, along with the Company, reviews 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 increased by 13.3% to £355.3m (2020: £313.5m) from retained profits and the decrease in retirement benefit obligations less distributions to shareholders. NAV per share[2] increased 13.6% to 267p (2020: 235p).

DARREN LITTLEWOOD
GROUP FINANCE DIRECTOR

13 April 2022

PRINCIPAL RISKS AND UNCERTAINTIES

MANAGING OUR RISKS

EFFECTIVE RISK MANAGEMENT IS ESSENTIAL TO THE ACHIEVEMENT OF OUR STRATEGIC TARGETS AND 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 targets.

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.

In the event of rapidly changing risks, our business continuity group, which incorporates key members of senior management, will meet on a regular basis to coordinate and control the Group's day-to-day response, providing regular updates to our people, the Executive Committee and Board.

RISK APPETITE

The Group's risk appetite and tolerance levels are reviewed annually by the Audit and Risk Committee and provide 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 at targeted levels.

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 a continuation 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 marketplace 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, undertaken horizon scanning exercises which form key considerations in the Group's risk and strategic planning.

In particular we recognise the increasing importance of climate risk and its impact on our business and the planet. Further information on our response to this is detailed on pages 68 to 71.

Despite the lower level of risk posed by CV-19, we continue to manage the risk through our business continuity group and consider the impact of CV-19 on each of the principal risks documented in this report.

The Group have also considered the political and economic impact of the ongoing crisis in Ukraine. These risks are being closely monitored with mitigations being strengthened, however do not at this time give rise to a new principal risk.

The financial impact of the above are considered in the going concern and viability section on pages 48 to 49.

Risk Governance
Establish risk strategy and appetite

Risk Identification and Assessment
Identify and evaluate risk

Risk Response and Reporting
Review, report and revise

THE BOARD/THE AUDIT AND RISK COMMITTEE

Oversight of all risk management within the Group is undertaken at the highest level by the Board of Henry Boot PLC, which is delegated in general terms to the Audit and Risk Committee.

Reviews the adequacy and effectiveness of the Group's internal controls and risk management systems.

Monitors and reviews internal and external audit.

THE EXECUTIVE COMMITTEE

Reviews risks and internal controls at a consolidated Group level and coordinates the Group's response.

BUSINESS CONTINUITY GROUP

Comprises senior individuals from within the Group who meet on a flexible basis to manage ongoing events.

Communicates to our people and directs the immediate business response.

SUBSIDIARY BOARDS AND PLC DEPARTMENTS

Each subsidiary and PLC department has a nominated individual responsible for reviewing the risks within that subsidiary/department on an annual basis. In general, this will be the Managing Directors (for subsidiaries) and the heads of department (for the PLC), with input from other relevant designated team members as applicable.

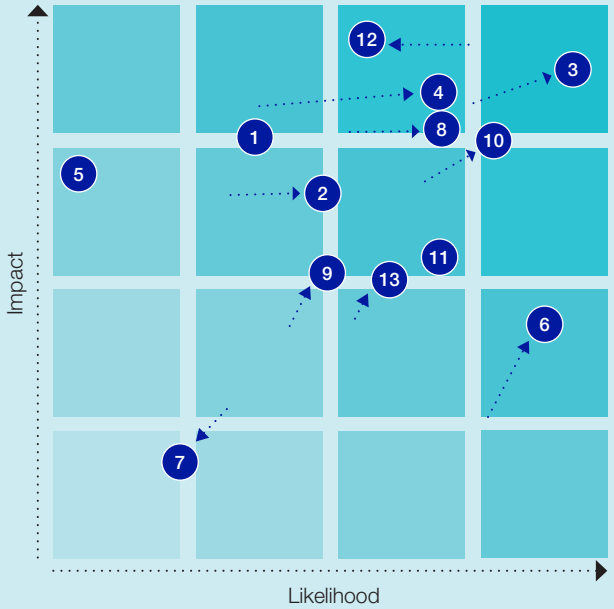
INTERNAL AUDIT (THIRD PARTY)

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.

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	↔		• Priority consideration at all Group and subsidiary Board meetings. • Robust training, policies, procedures and monitoring. • Construction operation is OHSAS 45001 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 real estate and construction sectors, and environmental considerations are paramount to our success Further detail on the compliance, legal, technological, reputational, financial, market and physical risk associated with climate change are documented in the TCFD section of this Annual Report (page 70)	Remote working has resulted reduced business travel and commuting	↑ Growing relevance and impact of climate change and net zero carbon targets		• Construction environmental risk is managed through the operation of an ISO 14001 approved environmental management system. • Continuous improvement of our performance is achieved by setting annual environmental improvement targets. • 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. • Board level Responsible Business Committee established. • 135 Henry Boot Responsible Business Strategy including net zero carbon framework in place.

KEY

Change during the year

↑ Increased ↓ Decreased ↔ No change

Group strategic priorities

Safety People Growth Delivery

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
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	Supply chain challenges and delays in delivery	↑ Increase in interest rates and price inflation		• 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.
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 work	Negative effects of working remotely on wellbeing and mental health	↑ Demand and competition for skilled personnel has significantly risen		• 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 our people. • Succession planning is an inherent part of management process. • Reward and remuneration benchmarked against the market to ensure competitive.
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 2025 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. • New £25m HSBC receivable purchase agreement in place to December 2025. • Detailed cash requirements are forecast up to 15 months in advance, and reviewed and revised monthly. • Five-year business plan prepared as part of strategic review. • As a PLC, access to equity funding is available, should this be required.

OUR RISKS

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
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 and threat of attack		• Awareness updates routinely distributed to our people. • 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 has a legacy defined benefit pension scheme that closed to future accrual in the period. While the Trustees has 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		↓ Scheme closed to future accrual		• 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 Trustee. • Use good quality external firms for actuarial and investment advice. • Scheme now closed to future accrual.
8 **CONSTRUCTION CONTRACTS** Changes in terms and conditions of standard contracts exposing the Company to major financial and design liability risks	Potential for 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 our people. • Experienced legal and commercial management. • Project-specific tender risk register. • Use of pre-construction services agreements help to mitigate cost and risk. • Inflation clauses negotiated where security of pricing cannot be achieved.

KEY

Change during the year

↑ Increased ↓ Decreased ↔ No change

Group strategic priorities

Safety People Growth Delivery

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
9 **PROPERTY ASSETS** Investment property assets are not marketable and are without secure tenancies. Valuations are volatile	Rent delays and impact on tenants	↑ Increased exposure to market movements		• 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. • Strong market, high demand.
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	Delivery delays	↑ Increased exposure to market movements		• 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 subsidiary board or Executive Directors of the main Board, subject to level of investment. • Land portfolio of over 92,000 plots with aspiration to grow further. • Well-respected name within the industry that demonstrates success. • Housebuilder land portfolio at 1,157 residential plots.

OUR RISKS

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		↔		• 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 and legislative changes can have a significant impact on the viability of transactions and schemes		↑ Housing planning policy		• 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 uplifts 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.

KEY

Change during the year

↑ Increased ↓ Decreased ↔ No change

Group strategic priorities

Safety People Growth Delivery

GOING CONCERN

In undertaking their going concern review, which covers the period to December 2023, the Directors considered the Group's principal risk areas that they consider material to the assessment of going concern. In recent years, this has focused on the impact of CV-19, a risk that continues to be managed by the Group's Business Continuity Group despite the reduced threat level.

In the current year, the Directors have assessed the Group's speed of recovery against the back drop of significant cost inflation and interest rate rises in modelling a base case scenario, and in compiling forecasts consideration has been given to climate risk and the costs of transitioning to a low carbon economy. They have also modelled what they consider to be a severe downside scenario including a significant curtailment in activities. Construction and Development activity only takes place where contracted and likewise for Hallam Land where no sales are assumed in 2022, unless already contracted, with a c.45% reduction in sales from the base case for 2022. For Stonebridge Homes, a 10% decline in house prices is assumed along with a 25% reduction in the number of plots sold and Banner Plant revenue declines c.20%. Each segment assumes a slow recovery in 2023. This downside model assumes that acquisition and development spend is restricted other than that already committed and is all consistent with previous experience in recessionary environments. Having started 2022 with net debt[1] of £43.5m and with c.£38m net debt held by the Group, at 28 February 2022, against facilities of £75.0m the Directors have concluded that the Group is able to control the level of uncommitted expenditure, while delivering contracted schemes, allowing it to retain and even improve the cash position in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Group meets its day-to-day working capital requirements through a secured loan facility. 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 and January 2022 by a further two years to 23 January 2025 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 16% reduction in revenue and near 70% reduction in PBT from our base case for 2022, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2023.

The Directors have considered the likely impacts on the business arising from the conflict in Ukraine, which has occurred subsequent to the balance sheet date and is ongoing at the date of approval of the Financial Statements. The Directors are satisfied that the potential economic impacts of this event, is adequately taken into account in the severe but plausible downside scenario.

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 20 to 21 and pages 26 and 29 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 136-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 £33.7m per annum, added over £170m to net assets (an increase of some 95%) and paid 62.05p 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 and 2021 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 three-year bottom up base case 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, although our strategic land promotion business commenced 2022 with 12,865 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 2023, as described in the Going Concern Statement on page 48 followed by an assumed return to planned levels of activity for year three. Our modelling assumes that deferred land sale debtors falling due in 2022 of £14.7m as at 28 February 2022 will continue to be received during the period either directly from the debtors themselves or via the use of our 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 three-year monthly forecasts 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 and Ukraine risk discussed in the Going Concern statement on page 48.

Firstly, 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 £105m) and we have pre-sold or pre-let 72% of the committed development pipeline.

Secondly, further cost inflation and interest rate increases that could reach levels where the availability and cost of capital become prohibitive, mortgages availability reduces, schemes are no longer viable and asset values fall. Where possible the Group mitigates this risk by contracting rates, allowing for contingencies in expected returns and controlling the level of speculative investments.

Finally, 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 treating 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.

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

SECTION 172 STATEMENT

OUR APPROACH

Henry Boot has always understood and been influenced by the responsibility we have to create sustainable and long-term value for our shareholders but also for the communities and environments we operate in. In addition to generating profit, ESG factors are becoming an increasingly important focus for investors, as well as our customers, our people and the general public, against a backdrop of uncertain global events and climate change. We are working hard to ensure that our long-term business decisions incorporate the way we protect and collaborate with all our stakeholders and ensure that our business will be around for another 135 years.

OUR STAKEHOLDERS

We identified our key stakeholders during our work on the "Henry Boot Way" project in 2017, being those groups whose interests and views are vital to the operation and culture of the Group, and are included in 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."

Pages 92 to 97 outline the Board's stakeholder policy and how the Board interacts with the Company's key stakeholders. We think carefully about the methods of engagement both directly with stakeholders and indirectly in the form of information flow to and from the subsidiaries, the Executive Committee and others.

OUR DECISION-MAKING

The need to consider the long-term nature of our decisions and the impact on our key stakeholders is now an embedded process for the Board. The table below highlights how we ensure that these issues are appropriately addressed.

BOARD INFORMATION

- Our Board and senior leaders regularly engage with stakeholders as described on pages 92 to 93.
- Board papers on Reserved Matters include consideration of stakeholder interests and views.
- Gerald Jennings uses his role as designated NED to ensure that the Board consider the views of, and impacts on, the workforce.
- Leadership and management receive training on Directors' duties to maintain awareness of the Board's responsibilities under s.172.

LONG-TERM STRATEGIC CONSIDERATIONS

- Papers seeking Board approval are required to explain how the matter aligns with the Company's long-term strategy. Any items that deviate from the strategy are given additional scrutiny.
- The Board reflects on the Responsible Business Strategy and whether the outcome of the decision supports and contributes to the agreed targets.
- The Board remains mindful of the Company's corporate objectives and KPIs, which are discussed regularly.

DECISION MAKING

- Directors are regularly reminded of their duties under s.172.
- The Company's culture is a core consideration when making decisions. The Board reflects on whether the action aligns with The Henry Boot Way and our values: Integrity, Respect, Delivery, Collaboration, Loyalty and Adaptability.
- Actions have been taken as a direct result of Board engagement – see the examples detailed in the Employee Engagement section on pages 94 to 95.
- Where appropriate, outcomes of decisions are re-assessed and further engagement and dialogue undertaken.

LIKELY CONSEQUENCES OF DECISIONS IN THE LONG TERM

The Company is proud of its long history and the Board is mindful of its responsibility as a custodian of the business. The corporate objectives, derived from the Board's agreed strategy, are reviewed every Board meeting. Every proposal that comes to the Board for approval, whether to proceed with a new development, or approve a dividend, is required to explain how the matter aligns with the Group's long-term strategy.

THE INTEREST OF THE COMPANY'S WORKFORCE

Pages 92 to 96 outline the ongoing dialogue that takes place between the Board and the workforce. This relationship has strengthened over the past couple of years thanks to Gerald Jennings' direct involvement with the Group Employee Forum. Board decisions on evolving workforce remuneration and the promotion processes have been directly influenced by the opinions and recommendations of the workforce during 2021.

THE NEED TO FOSTER RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

As a service-based business, we are reliant on our supply chain and have done a lot of work to ensure that we build long-term, sustainable relationships. A focus for the Board in 2022 is to improve the understanding of our customer needs and foster a culture that encourages repeat business. We are continuing to develop our approach to these stakeholders as detailed on pages 92 to 93.

IMPACT OF OPERATIONS ON THE COMMUNITY AND ENVIRONMENT

The Group's operations have a direct impact on the surroundings and in the communities where we work. Our new Responsible Business Strategy (see below and pages 66 to 67) strives to create long-lasting social value for our communities and to reduce our environmental impact and consumption.

HIGH STANDARDS OF BUSINESS CONDUCT

The Board and its Committees routinely consider the Company's culture and values during its decision making. The Directors are acutely aware of being a responsible business and acting in accordance with the Henry Boot Way. Whether it's the Remuneration Committee's decision to use discretion to reduce the formulaic outcome of the FY21 annual bonus for Executive Directors, or the Board's decision to repay the money received from the government's furlough scheme, we are constantly striving to do the right thing.

THE NEED TO ACT FAIRLY BETWEEN MEMBERS

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

CREATION OF A RESPONSIBLE BUSINESS COMMITTEE

The Board had been conscious for some time of growing interest from **shareholders** and **proxy agencies** around how companies manage ESG issues and how their approach aligns to the business' overarching long-term strategy.

Customers were starting to ask more probing questions about the Company's ESG credentials before committing to work with us and were approaching us for more sustainable solutions and products. We also recognised that our **current workforce** was taking a more active interest in how the Company behaved as a corporate citizen and that **prospective talent** placed more value in employers who had a genuine and proactive ESG offering.

The Directors recognised this shift and wanted to ensure that specific time and focus was given to these matters from the top down. The Board took the decision to create a Board-level Responsible Business Committee in March 2021 to determine and scrutinise the Group's approach to responsible business performance. Whilst the Company was already involved in various initiatives, there was a lack of a co-ordinated, considered approach across the Group and the Committee oversaw the development of a new Group-wide Responsible Business Strategy.

In order to develop a meaningful strategy, we undertook a materiality assessment of the issues that were most important to our stakeholders. This exercise involved interviewing a sample of our **people, customers, suppliers, advisors, professional membership bodies, charity partners, education partners** and our **community partners.** Based on the feedback received, a strategy was established with clear and transparent objectives across four key pillars; **our people, our places, our planet** and **our partners.** Results against these targets will be measured and shared publicly, ensuring that we are held accountable for our performance against our ambitions. This exercise illustrated the value that we place on engagement and considering all stakeholders views before coming to a decision which we hope we leave a positive and long-lasting legacy on those around us.

BUILDING A RESPONSIBLE FUTURE

FOUNDATIONS FOR SUSTAINABLE GROWTH

Our business is more than 135 years old, and we understand the importance of adapting to the needs of our stakeholders to create sustainable value for the long term. We recognise, and are adapting to, the changing needs of the communities and environments in which we work to ensure that we create the greatest possible social value and impact as we fulfil our corporate purpose.

Our responsible business approach focuses on collaborating with our people and partners to create value for all those we work with, and we are guided and governed by our workplace culture (the Henry Boot Way) and our Purpose, Vision and Values.

OUR PURPOSE

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

ADAPTABILITY

WE SEEK TO POSITIVELY CHALLENGE WHAT WE DO AND HOW WE DO IT.

RESPECT

WE THINK ABOUT WHAT WE DO, HOW WE DO IT AND HOW IT WILL IMPACT OTHERS.

DELIVERY

WE DELIVER OUR BEST QUALITY WORK FOR EVERYONE, NO MATTER WHAT.

INTEGRITY

WE OPERATE FAIRLY AND EQUITABLY IN EVERYTHING WE DO.

COLLABORATION

WE WORK IN PARTNERSHIP TO MAKE THINGS HAPPEN.

LOYALTY

WE ARE COMMITTED TO GIVING BACK TO OUR COMMUNITIES.

OUR VISION

Our people, partners and communities continue to trust our reputation, respect our expertise and value us for our forward-thinking approach.

THE FIRST PHASE OF OUR RESPONSIBLE BUSINESS STRATEGY

In March 2021, we launched 135 Henry Boot which was the first phase of our new Responsible Business Strategy. 135 Henry Boot aligned with the Group's 135th anniversary and focused on the delivery of five key objectives:

1	To launch our path to net zero carbon (NZC) and build awareness of the importance of sustainable business practices and the circular economy.
2	To take action to ensure our business is equal, diverse, inclusive, and accessible.
3	To work with key partners across the built environment sector to create positive direction and thought on diversity within our industry.
4	To collaborate with our communities to understand and respond to their challenges and requirements.
5	To engage all our stakeholders to create social value and contribute to a fair and just society.

The Strategy aligned the launch of three important initiatives for the Group which were:

- A Community Partnership Plan (CPP).
- Equality, Diversity and Inclusion Strategy (EDI).
- Net Zero Carbon (NZC) Framework.

BUILDING A RESPONSIBLE FUTURE

THE FIRST PHASE OF OUR RESPONSIBLE BUSINESS STRATEGY

COMMUNITY PARTNERSHIP PLAN (CPP) (LAUNCHED MARCH 2021) – ENGAGING AND EMPOWERING OUR PEOPLE TO SUPPORT OUR COMMUNITIES.

The purpose of our CPP is to guide our collaboration with our charity, educational, and community partners to create meaningful and lasting impact on their amazing work. Our approach focuses on engaging our people and partners to get involved and utilise their skills, knowledge, and experience to make a significant difference for our communities.

In November 2020, we undertook a responsible business survey with a sample of our people (selected to represent the workforce across our Group) and the CPP was developed in response to the feedback received from this engagement.

Delivery of the CPP to date has been led by our people through working groups including our Charity Committee, Social Value Working Group (focused on the delivery of our social value commitments) and Responsible Business Steering Group (a working group tasked with oversight and scrutiny of how the CPP is delivered).

The CPP established five targets (with some outputs overlapping across numerous targets) for the Group to achieve in 2021. These were:

1. 135 INDIVIDUAL COMMUNITY ENGAGEMENTS

Individual community engagements included single instances of support for charities or community groups and incorporated both support from the Group (e.g. corporate charitable donations) and the support of our people, which included volunteering, fundraising, pro bono or any additional support provided.

Throughout 2021, we achieved 317 community engagements which equated to 235% progress against our target.

2. 135 INDIVIDUAL ENGAGEMENTS WITH EDUCATION PARTNERS

Individual engagements with education partners included single instances of support for education organisations including primary and secondary schools, colleges, universities, further and higher level education providers, and charities and community organisations focused on education.

Throughout 2021, the Group achieved 77 education engagements. This equated to 57% progress against our target. Whilst we adapted our approach to education engagement in response to the impact of the CV-19 pandemic, we were significantly restricted in our ability to engage our education partners. The Group is developing an Education Engagement Strategy as part of Phase 2 of our Responsible Business Strategy (see page 66), which will guide and support us to strategically increase engagement with our education partners whilst focusing our efforts on broadening access to our industry and offering opportunities to learners who have traditionally struggled to access these.

3. 135 INDIVIDUAL VOLUNTEERING OPPORTUNITIES

Individual volunteering opportunities included individual instances of our people volunteering their time and services to our charity, community and education partners and incorporated both group and individual activity.

Throughout 2021, the Group achieved 191 individual volunteering sessions which equated to 141% progress against our target.

4. £135,000 RAISED FOR CHARITABLE CAUSES

Throughout 2021, the Group donated and fundraised approximately £288,000 of financial or equivalent value to charitable and community causes. This included corporate donations, sponsorship, pro bono services, and fundraising. This equates to 213% progress against our target.

5. TO DELIVER THE 135 HENRY BOOT CHALLENGE

The 135 Henry Boot Challenge was a proposed 'steps' challenge for all people across the Group to collectively walk 13,500,000 steps across the month of September 2021. In response to the impact of the CV-19 pandemic and feedback, a programme of events, activities and resources focusing on health and wellbeing and colleague socialising was delivered in place of the 135 Henry Boot Challenge. This programme was entitled Re:Fresh and offered our people a range of opportunities to enhance their health and wellbeing and socialise with colleagues across the Group.

EQUALITY, DIVERSITY AND INCLUSION (EDI) STRATEGY (LAUNCHED APRIL 2021) – TACKLING THE BARRIERS WITHIN OUR INDUSTRY.

Our Equality, Diversity, and Inclusion (EDI) Strategy is focused on 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 guide 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.

The development of the Strategy was shaped by a review in 2020 of our Group, which was undertaken by Brook Graham and involved extensive engagement with our people to assess their feedback and aspirations. We established a cross-Group EDI Steering Group to develop and deliver the EDI Strategy and ensure it continues to reflect and represent the outcomes desired by our current people and prospective talent.

The Strategy finds the Group making three key commitments:

1. To ensure fair and equitable access to all our opportunities.
2. To recognise and embrace difference, within our workforce and in the organisations we work alongside.
3. To welcome and celebrate diversity and create an environment where everyone can develop their talents, prosper and succeed.

As we deliver on these commitments, we are guided by the five key priority areas of the Strategy:

1. Inclusive Culture and Leadership.
2. Increasing our Diversity.
3. Access and Engagement.
4. Success, Progression and Development.
5. Our Communities and Stakeholders.

To create focused activity and accountability, members of the EDI Steering Group all agreed to take on the role of 'EDI Champions' (a formal but voluntary role that will see them champion progressive EDI practice and performance) and have been allocated into sub-groups, each tasked with leading on delivery of one of the five key priority areas.

Across the Group, EDI training was delivered by Brook Graham to our Board, Executive Committee, and leaders across the Group and a formal review of the Group's relevant policies and processes was commenced.

Additionally, we engaged with a number of external stakeholders including commercial partners, professional advisers, business membership organisations, charities and education partners to share knowledge and identify (and overcome) barriers to achieving more equal, inclusive and diverse workplaces.

BUILDING A RESPONSIBLE FUTURE

THE FIRST PHASE OF OUR RESPONSIBLE BUSINESS STRATEGY

NZC FRAMEWORK (LAUNCHED JUNE 2021) – TACKLING CLIMATE CHANGE WHILST WE GROW OUR BUSINESS.

Our NZC Framework found us building on our impressive track record of incorporating environmental protection into our commercial operations and establishing a target to achieve NZC for our direct (Scope 1 and 2) greenhouse gas (GHG) emissions by 2030.

The NZC Framework was developed by our Group NZC Taskforce, which was led by the Managing Directors of Henry Boot Construction and HBD and comprised of representatives from across our subsidiaries. The team worked in collaboration with specialist environmental consultancy Anthesis and their support ensured our Framework is ambitious, strategic, and measurable.

Our approach to tackling climate change is ambitious and will guide us to achieve NZC for our directly controlled operations, whilst undertaking the necessary work to understand and reduce our indirect emissions. It will also support us to enhance our longstanding efforts to reduce waste, protect biodiversity, and continually improve our performance on working to circular economy principles.

We have developed ambitious targets to achieve by 2030 in support of the objectives below including:

- 100% of our fleet cars and vans to be electric (with delivery of our Sustainable HGV Renewal Programme underway).
- 20% reduction in non-sustainable business travel.
- 100% of generators to be replaced by sustainable alternatives.
- Undertaking a full review of energy and resource use at all controlled sites to deliver carbon-reduction solutions.

Medium-term targets have been established in Phase 2 of our Responsible Business Strategy (see page 67) and we will report on our progress annually. We will empower all our people and partners to share knowledge and collaborate to reach solutions to the issues and problems posed by climate change and environmental degradation.

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 signatories of BITC's 'Waste to Wealth' pledge and support the Government's Construction 2025 Strategy.

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 routinely contribute to the Yorkshire Climate Action Coalition (a coalition of likeminded businesses, all of whom are ambitiously focused on addressing their environmental impact) and regularly collaborate with membership organisations including the CBI and Business in the Community (BITC) on this issue.

Our Framework is guided by three key objectives:

1	To achieve NZC for our directly controlled GHG emissions (Scopes 1 and 2) by 2030.
2	To enhance our understanding of our indirectly controlled GHG emissions and deliver reduction solutions.
3	To empower our people and partners to take positive action to collaboratively decarbonise.

In developing our NZC Framework, the NZC Taskforce developed an estimated costs schedule for successful delivery of the Framework which was presented to the Responsible Business Committee. This schedule will continually be monitored and updated as we strive to achieve our objectives and has also informed our response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (see page 68 for more information).

LEADERSHIP AND ENGAGEMENT

Throughout 2021, we undertook a number of additional actions to consolidate our approach to responsible business.

We established our Responsible Business Committee to provide Board level oversight and scrutiny of the Group's responsible business performance (please see page 51 for more information). The Committee ensure that our Group's approach to Environment, Social and Governance (ESG) activity and ambition is increasingly incorporated within our wider Group strategy and 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.

Members of our Board and Executive Committee were also appointed sponsors of our responsible business initiatives to demonstrate leadership from the management of our business on these critical issues.

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.

As importantly, significant engagement was consistently undertaken with our people through our people-led working groups. Each of the three initiatives of 135 Henry Boot were shaped and formulated (and are now being delivered by) these working groups. This approach has enabled us to engage and empower our people to inform and influence our responsible business approach.

BUILDING A RESPONSIBLE FUTURE

SUPPORTING OUR PEOPLE AND PARTNERS IN 2021

OUR PEOPLE AND PARTNERS

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.

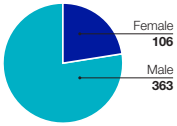
We remain committed to investing the time and resources to support, engage and motivate our people to feel valued, to be able to develop rewarding careers, and want to stay with us. We recruit and promote from within wherever possible to provide the best possible progression opportunities. As our businesses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

ONGOING SUPPORT THROUGHOUT THE CV-19 PANDEMIC

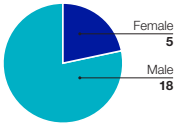
The CV-19 pandemic has posed many challenges for us all, and we have worked hard to ensure our people have consistently been kept up to date with our response to the changing circumstances. This has included regular communications and interactive webinars to provide updates on health and safety protocols, 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.

GENDER DIVERSITY

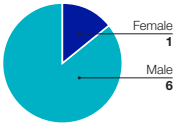
All employees



Senior managers



Directors



AGILE WORKING FRAMEWORK

In July 2021, we launched our Agile Working Framework. The disruption to normal working practices caused by the CV-19 pandemic gave us the opportunity to reflect on how we organise work for our people in the future. We want to work together in ways that suit more people, while continuing to deliver high standards in everything we do. This will be a journey for us, building on the positive changes that have come from the pandemic and enshrining them in our future ways of working.

The Agile Working Framework was developed by a cross-Group working group and development incorporated the results of the Agile Working Survey shared with our people in October 2020.

The Framework's vision is to change the way we work to improve work-life balance for our people, while maintaining high levels of engagement and service for our stakeholders. We believe an element of agility can be achieved in all of our job roles, but we recognise that not all tasks can be done from alternative locations or from home. For roles that must be performed in a particular location, we continually work to identify opportunities to be agile in different ways, such as adapting start and finish times to minimise commuting time, fulfil personal commitments, or make time for hobbies.

We believe empowering our people to work in an agile manner will support their health and wellbeing, allow us to quickly adapt to any changes in circumstances and enable our people to work in a manner that is most beneficial to their needs whilst continuing to deliver high-quality results.

Delivery and incorporation of the Framework will be reviewed every six months to ensure it works as effectively as possible for all across the Group.

HEALTH AND WELLBEING

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

We continue to utilise our Group intranet platform (the Hub) to bring together all our benefits and wellbeing provisions into one accessible location so that our people can access information and support at any time.

One of the principal ambitions of our Responsible Business Strategy is the development and delivery of a new Group Health and Wellbeing Strategy (see page 66). This will consolidate our existing offer and detail further initiatives, resources and training that our people can access to ensure we continually support their health and wellbeing and respond to their individual needs. This Strategy is currently being developed by a cross-Group team and will be launched later in 2022.

FINANCIAL WELLBEING

One of the targets outlined in Phase 2 of our Responsible Business Strategy is to pay all of our suppliers the real living wage and secure accreditation with the Living Wage Foundation. Work on achieving these goals is already underway.

EMPLOYEE ENGAGEMENT SURVEY

OUR OBJECTIVES

The overall objective of conducting the survey is to gain an in-depth understanding of our people's experience whilst working at Henry Boot. The survey is focused on gaining feedback from our people so we can create a culture and an environment where they can be the best version of themselves at work.

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

Our process facilitated by HIVE (our employee engagement partner), saw our annual Employee Engagement Survey housing a framework of 40 questions that were used to measure progress when compared with the responses within our previous survey conducted during 2020. Some questions were based on those posed previously to allow for statistical analysis of change; however, other questions were more focused on 2021 and specifically how we have, and continue to, adapt to the impact of the CV-19 pandemic.

64%

RESPONSE RATE (DECREASE OF 2% FROM 2020)

OUR FINDINGS

The survey results show that 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, Executive Committee and Employee Forum to identify any areas where there is scope for increased engagement with, and support for, our people.

STRONG GROUP eNPS SCORE OF

26

8.5

We received an 8.5 employee engagement score when our people were asked whether the Group had worked hard to keep them safe during the Pandemic.

8.4

We received an 8.4 employee engagement score when people were asked if their personal values are well suited to the Henry Boot Way.

KEY OUTCOMES

1 Adapting to challenges

Our employee Net Promoter Score (eNPS) of 26 (46 in 2020) was lower than last year. Whilst we remain proud of this score which demonstrates positive engagement with our people, we note that it has reduced from 2020 and are engaging with our people (via our Employee Forums) to make continuous improvements and address any issues experienced.

2 Wellbeing

Whilst we are pleased that our average employee engagement score for positive mental wellbeing was 7.5, we do recognise the significant ongoing challenges that the pandemic has created for our people. We will continue to address these and key to doing so will be the introduction of our Health and Wellbeing Strategy in 2022 and the project undertaken by our Employee Forum in to how we can best support the wellbeing of our people and their ability to switch off and re-energise when not working.

As part of the Employee Engagement Survey, we introduced a new platform – Open Door – whereby our people could provide us with confidential honest feedback. This platform has been well adopted and has demonstrated the real sense of honesty and integrity that underpins our workplace culture, the Henry Boot Way.

BUILDING A RESPONSIBLE FUTURE

SUPPORTING OUR PEOPLE AND PARTNERS IN 2021

FINANCIAL WELLBEING

We take the financial wellbeing of our people seriously and offer a range of services and guidance to support this.

We operated two pension schemes in 2021, until the closure of The Henry Boot Staff Pension and Life Assurance Scheme on 19 March 2021 to active members. Following this our sole pension provision is now the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution pension), where the Group pays contributions to an independently administered fund (AVIVA) based upon a fixed percentage of salary. Member benefits from the plan are determined by the amount of contributions paid by the Group and the member, the investment returns on the investments are made by the individual based on their risk appetite with most remaining in the pre-selected Default Fund, and the decisions made on retirement age and how they choose to receive their retirement benefits. We have implemented the UK's auto-enrolment pension requirements, including re-enrolment on a triennial basis, and our people are informed of auto-enrolment and other pension choices through our online portal and Group Intranet platform.

Company-funded Independent Financial Advice is available for defined benefit member reaching 55 years of age; the age at which they can legally take their pension. We want to ensure that our people are in a fully informed position when making decisions about pensions and are exploring an expansion of financial wellbeing advice.

In September 2021, we granted share options to all eligible colleagues to participate in the Company Share Option Plan (CSOP). We also invited all eligible colleagues to participate in the Group's 2021 Sharesave scheme, which allows our people to contribute a maximum of £500 per month to one or a combination of current Sharesave schemes. In 2021, the Remuneration Committee agreed to increase the usual 10% discount off the share price to the maximum discount allowed under the HMRC rules of 20%. At the close of the invitation, 57% of eligible people had joined one or more Sharesave schemes.

EQUALITY, 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. You can read more about our EDI Strategy and 2021 performance on page 55.

Although we recognise that the ambitions and objectives in our EDI Strategy will take time to achieve, we are fully committed to working with key partners to engage with under-represented groups through various networks, to encourage diversity of thought and approach amongst our people, and to open opportunities for underrepresented 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 102. Our gender pay gap is currently 29%, which continues to reflect the current ratio of men and women employed. 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, the gap will be difficult to reduce. The EDI 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 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 report on our ethnicity pay gap in the future.

PROFESSIONAL DEVELOPMENT

Delivering a workplace culture and positive career experience that attracts new and diverse talent and retains experienced talent will give us the ability to compete successfully and ensure long-term sustainability. The retention and development of our people remains critical to our success. The Group's employee turnover in 2021 was 20% which is close to the UK average. Our high retention rates ensure that we have a solid base on which our people can grow, develop and achieve their potential. Our directly employed headcount was 499 at the end of 2021.

We recruited a further two apprentices in 2021, which brings our total number of current apprentices to 19 with a further six trainees. All our trainees and apprentices are enrolled on formal courses of education and supplement their learning through in-house training and experiential development.

Our preferred succession planning method is one of in-house development and growth; consequently, we also have a number of experienced people enrolled on formalised education programmes to enhance their skills and knowledge, in anticipation of career development and promotion within the business in which they operate. Throughout 2021, 11 of our people completed their education programmes and a further six 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 2021, our senior leaders who participated on our Senior Leadership Development Programme (SLDP) have continued to develop their own skills and knowledge and have continued with coaching and mentoring activities.

Throughout 2021, we also hosted our Leadership Development Programme (LDP) Centres which have been attended by 32 of our middle managers and aspiring leaders. This unique programme of development and support aims to encourage further aspiration and development and progression potential in our future leaders.

In 2021 we delivered 1,560 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, depots 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 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 people, 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 people and operatives is nil.

Our Construction segment delighted to report a strong overall (including subcontractors) Accident Incidence Rate (AIR) of 297 and Accident Frequency Rate (AFR) of 0.15. This result is a combination of the effectiveness of our management processes, continuous improvement and our Zero Harm initiatives. This strong health and safety management culture has resulted in securing a prestigious RoSPA Gold Medal Award for the 12th consecutive year resulting in a RoSPA Presidents Award.

In 2021, our Construction segment successfully migrated from OHSAS 18001 to the ISO 45001 (Occupational Health and Safety Management System) standard in June 2021. In addition to this, a full 'Certificate renewal' assessment was successfully completed in October 2021 against all three standards (ISO 45001 (Occupational Health and Safety) ISO 14001 (Environmental Management) and ISO 9001 (Quality Management).

We continue to be a Considerate Constructors Scheme Partner, registering three of our projects as 'Ultra Sites', which commits the sites to the highest standards of considerate construction in terms of potential to impact local communities, the environment, workforce and supply chain.

We have also enjoyed success in further industry awards including the Constructing Excellence, LABC Awards, Chartered Institute of Building (CIOB), Insider Yorkshire Property Awards and Generation for Change (G4C).

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 sub-contractors 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:

- Ethics.
- 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 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 Gangmasters & Labour Abuse Authority (GLAA) Construction Protocol. In addition, we have recently engaged NGOs to understand where our practices may be strengthened and are looking forward to implementing some new measures throughout 2022.

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 our people 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.

BUILDING A RESPONSIBLE FUTURE

SUPPORTING OUR COMMUNITIES

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 the important role our business has to play in generating social value for the communities we work alongside as we deliver our services. We are excited to engage our people and partners to respond to societal needs with strategic focus and renewed commitment.

The CV-19 pandemic has negatively impacted many communities and exacerbated pre-existing inequalities. Our approach focuses on supporting those who will receive the most benefit from our engagement as we seek to create long-term value for our communities and tackle the barriers to accessing the employment and skills opportunities we offer.

Our CPP, a core element of our Responsible Business Strategy (see page 54 for more information), finds us engaging our people to get involved and utilise their skills, knowledge, and experience to make a huge difference for our communities.

CHARITY PARTNERS

Throughout 2021, 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. These donations were managed by our Group Charity Committee who meet on a fortnightly basis. The Committee identify charities to allocate financial support to as well as respond to requests received from charities. Support is allocated to charities that align with our Charitable Giving Pillars and on the basis of securing the greatest possible impact.

In October 2021, our Responsible Business Survey (see page 66 for more information) requested feedback from our people on our Charitable Giving Pillars. 92% of participants agreed that they continue to represent the issues the Group can best impact. Our Charitable Giving Pillars are:

- 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.

CHARITY OF THE YEAR PARTNERSHIP

We extended our 2020 Charity of the Year partnership with Sheffield Children's Hospital to the end of 2021 to mitigate the impacts of the CV-19 pandemic on our ability to fundraise and volunteer. 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. 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.

Throughout 2021, we delivered several fundraising events including our annual Golf Day, charity skydive and quiz night to raise funds. We sponsored the charity's Snowflake campaign and were proud to be a principal partner of their Bears of Sheffield campaign. Our support for this public art trail included providing the logistics and project management support to transport, install and de-install all of the 60 bear sculptures across Sheffield. This involved extensive support from our specialist teams within Henry Boot Construction and Banner Plant who provided a significant level of service to the charity. We were hugely proud to see the campaign raise over £750,000 for the charity.

Our partnership with The Children's Hospital Charity raised approximately £33,000 for this fantastic cause.

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

- Becoming a Strategic Partner of LandAid (a national property industry charity focusing on supporting young people affected by homelessness) and taking part in their Virtual Sleep Out event with our team raising over £16,000.
- Supporting Roundabout, a Sheffield-based Youth Homelessness Charity, through the sponsorship of their Homelessness Prevention Service, participating in their Snowdon Sunset Trek and their Sleep Out raising over £30,000 in total.
- Donating to the Laptops for Kids campaign, which aimed to address digital poverty through providing young people with laptops to enable remote learning and engagement.
- Delivering the 'Henry Boot 13 Gifts of Christmas' campaign, which saw us supporting charities promoting positive mental health across the 13 communities in which we have offices and depots as chosen by our colleagues.
- Headline sponsoring the annual St Luke's Hospice Festival of Light campaign and event for the fourth time.

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 £8,000 to nominated local sports teams throughout 2021.

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 2021 was a fantastic £262,000.

This year, we contributed approximately £288,000 (£98,000 in 2020) to charitable causes. This figure is significantly higher than that achieved in 2020 due to the greater potential for fundraising as the CV-19 restrictions eased, a number of significant fundraising events and campaigns occurring in 2021, and an improved and more comprehensive reporting structure which includes additional sources of charitable and community giving and support. 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.

£21,022 of the total funds donated in 2021 were through our people utilising our Give as You Earn payroll giving mechanism. The Company matched this pound for pound; both sums are reflected in the total figure.

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 inconsistency in careers education. We have been proud to maintain our support for the career education programmes of our education partners and commit to ensuring these partners have our long-term support to providing young people with valuable and interactive workplace experience, engagement, and education as we build back from the impacts of the pandemic.

Examples include:

- Chairing the D2N2 Enterprise Partnership Cornerstone Employers Steering Group – working alongside likeminded businesses to provide learners across North Derbyshire with rich and rewarding careers engagement.
- Empowering our people to become Enterprise Advisors across North Derbyshire and the Sheffield City Region and working with local schools to provide them with valuable guidance and support.
- Delivering a series of careers education support for a range of partners including site visits, careers talks and mock interviews.
- Providing significant pro bono support to refurbish and improve the playground and outdoor provision at Shirecliffe Meadows – a new early years education centre – in collaboration with Sheffield Hallam University and SBT.
- Providing further specialist pro bono support to education partners including Astrea Academy and the installation of a Green Wall at Intake School alongside supply chain partners.

A NEW APPROACH TO CHARITABLE SUPPORT

In late 2021, our Charity Committee opted to introduce a cause-based partnership model which will strategically focus charitable support on a shared cause chosen by our people over a two-year (2022-23) period.

All of our people were engaged via a survey in November 2021 which asked them to nominate a preferred cause to support (from a shortlist produced by the Charity Committee) and to nominate an aligned charity for consideration to be the Group's Charity Partner. The cause that received the highest number of votes was promoting positive mental health.

Our efforts to promote positive mental health will focus on support for a strategic Group Charity Partner. We are delighted to announce that Place2Be is our new Group charity partner. Place2Be work in schools to improve the social, emotional and mental wellbeing of children and young people in the crucial formative years of their lives.

Whilst Henry Boot will partner with Place2Be, we will also be encouraging our teams to support and collaborate with various local charities and organisations that link to our chosen cause of promoting positive mental health.

BUILDING A RESPONSIBLE FUTURE

PROTECTING OUR PLANET

OUR APPROACH

We recognise the increasing risk and damage that climate change and environmental damage poses and are steadfast in our commitment to protect our planet for future generations and tackle the impacts of climate change.

Our efforts are guided by our NZC Framework (see page 56). This ambitious plan establishes our NZC target and achieving this will find us progressively reducing our greenhouse gas (GHG) emissions. We understand, however, that tackling climate change requires efforts beyond decarbonisation. Protection of natural environments and their ecosystems and biodiversity, the reduction of resource use and waste, and behaviour change will all be critical factors in the efforts needed to reduce global warming.

In recognition of this, we have developed (and are now delivering) Environmental Sustainability Action Plans for each of our businesses. These plans (which will support the delivery of our NZC Framework) provide clarity for our people on what needs to be achieved in the medium term and establish ambitious targets around GHG emissions reduction, waste reduction, and working to circular economy principles.

The Group NZC Taskforce (established to develop our NZC Framework) has evolved into a new governance structure (which mirrors our Group Employee Forum model – whom they will work closely alongside) whereby each of our businesses has a Climate Change Team who are tasked with overseeing the delivery of targets and sharing knowledge and solutions. A representative from each team will also sit on the Group Climate Forum which reports directly to the Responsible Business Committee. This approach aims to encourage a cohesive and collaborative approach to achieving targets and addressing challenges.

We will also work with our charity and education partners to educate, engage, support and learn from them as we assist with their efforts to addressing the impacts of climate change.

As we deliver our climate commitments in the Responsible Business Strategy, we will also be publishing our target to achieve NZC for our indirect emissions (Scope 3) and the emissions subsets by which we will measure reduction.

To support the successful delivery of our NZC Framework and aspirations to tackle climate change, we have committed to the following medium term targets in our Responsible Business Strategy.

OUR TARGETS – BY THE END OF 2025 WE WILL

Objective 1

Reducing our greenhouse gas (GHG) emissions.

- Reduce Scope 1 and 2 GHG emissions by over 20% to support reaching NZC by 2030.
- Replace 50% of van fleet with electric vehicles (EVs) or other sustainable alternatives (100% by 2030).
- Ensure that all our HGVs are EURO 6 compliant (30% to be replaced with EVs or other sustainable alternatives by 2030).
- Reduce non-sustainable business mileage by 20%.
- Supply 50% of electricity demand for construction sites from renewable generators.
- Complete energy, resource and sustainability audits in all of our directly controlled offices, sites and depots – and implement all medium-term recommendations.
- Use biodiesel as we electrify our fleet.

Objective 2

Consuming resources responsibly

- Cut avoidable waste by 99% for all our construction sites (100% by 2030).
- Reduce consumption of avoidable plastic by 50%.
- Undertake Group-wide waste monitoring and establish a waste-reduction target.
- Undertake Group-wide water monitoring and establish a water-reduction target.
- Introduce a Group-wide Sustainable Supply Chain Standard to support supply chain collaboration and innovation.

Objective 3

To be a steward of nature

- Collaborate with commercial partners to achieve biodiversity net gains on our projects.
- Enhance and preserve natural environments where we work.
- Deliver nature stewardship training to 100% of our people.

Pictured: Hallam Land Management helping with tree planting at Lubbesthorpe

BUILDING A RESPONSIBLE FUTURE

PHASE 2 OF OUR RESPONSIBLE BUSINESS STRATEGY

The delivery of 135 Henry Boot and the wider work undertaken in 2021 put us in a strong position to develop Phase 2 of our Responsible Business Strategy which launched in January 2022. Phase 2 sets ambitious medium-term objectives and targets to be achieved by the end of 2025, ensuring we maintain our bold and determined approach to achieving significant environmental and social value through our work.

In developing Phase 2 of our Responsible Business Strategy, it was vital to capture the opinions and views of our people and partners. We wanted to understand the issues they thought were the most material when considering how our business generates positive impact and social value.

Our Responsible Business Committee undertook a stakeholder mapping exercise to understand how best to engage our stakeholders. Desk-based research and engagement was undertaken to create a shortlist of material issues which was also influenced by the ambitions of the United Nations Sustainable Development Goals.

Based on this exercise we conducted a Responsible Business Survey among a representative sample of our people, customers, suppliers, advisors, professional membership bodies, charity partners, education partners and community partners. We asked them to rank a series of responsible business issues to assist us in determining which issues should be the most material to our Group. We also undertook focused engagement with investors, professional advisers and our people to best understand their expectations and opinions on Henry Boot's approach to responsible business.

Our materiality assessment identified that the top three issues our business should focus on are:

- Promoting positive health and wellbeing for our people.
- Ensuring our business is equal, inclusive, diverse and accessible.
- Achieving NZC.

The Strategy incorporates the findings from our stakeholder engagement and all our existing responsible business initiatives providing clear guidelines on how we intend to deliver our commitments over the coming years. It is guided by three headline objectives:

1	To further embed ESG factors into our commercial decision making, so that we adapt our business, ensuring long-term sustainability and value creation for our stakeholders.
2	To empower and engage our people to deliver long-term meaningful change and impact for the communities and environments we work in.
3	To authentically address those issues deemed to be most significant and material to our business and hold ourselves accountable by reporting regularly on our progress.

RESPONSIBLE BUSINESS STRATEGY STRUCTURE

Our Responsible Business Strategy focuses on four key strategic pillars 'Our People, Our Places, Our Planet, and Our Partners.'

Our Purpose is to empower and develop our people to create long-term value and sustainable growth for our stakeholders.

Pillar 1 – Our People

We will support, develop, engage, and empower our people to have an exceptional working experience, to be the best versions of themselves, and to deliver long-term value for our stakeholders.

Pillar 2 – Our Places

In fulfilling our purpose, we will support and engage the communities we work with, and alongside, to create long-lasting social value.

Pillar 3 – Our Planet

We will protect and preserve our planet by reducing our environmental impact, consuming responsibly and safeguarding our environments.

Pillar 4 – Our Partners

We will collaborate with our partners to deliver exceptional results, create value and share knowledge, solutions and creativity to address key issues.

Our Ambitions will be delivered by our people working closely with our partners – delivering collaborative solutions with real impact.

Our Values will underpin and align everything we do.

We also engaged our stakeholders to understand which of the United Nations Sustainable Development Goals (UN SDGs) they felt our business could most positively impact. Based on the feedback received, the Responsible Business Committee selected the five UN SDGs above as those best aligned with our corporate purpose and which we can most positively impact.

BUILDING A RESPONSIBLE FUTURE

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES.

Compliance Statement

Over the course of 2021, Henry Boot has continued to analyse the requirements of the TCFD, and the accompanying guidance notes, to understand how the requirements could be properly implemented. Whilst there are a number of areas in which we anticipate being fully compliant due to the advanced work we have done on our Net Zero Carbon initiatives within the framework of our overall Responsible Business Strategy (please see table below for analysis), there will naturally be some areas that continue to develop as we deepen our understanding of the risks and opportunities presented by climate change. We expect that over the course of 2022 we will continue to delve into this, and understand the wider impacts it may have on our strategic focus, to ensure that our strategy development is properly debated and embedded within our operations. For this reason, as we set out below, in some areas we have chosen to explain the extent of our current compliance and the direction of travel as we move forwards.

Area of focus	Progress to date	Future focus
GOVERNANCE		
Board oversight of climate-related risks and opportunities	Through the establishment of a Responsible Business Committee (see page 51), the Board is ensuring that it has assigned Board-level importance to all ESG-related matters, including climate-related issues, and is regularly updated on the Group's Responsible Business Framework development, implementation and outcomes. In particular, the Committee has oversight of the Group's Net Zero Carbon (NZC) Framework (read more on page 56) and in connection with this, has set climate-related goals and targets through the Responsible Business Strategy and will monitor and oversee their implementation and performance. In addition, climate-related risks and opportunities will form part of the annual risk management procedures undertaken through the Audit and Risk Committee's assessments (see sections below). The Remuneration Committee also has oversight of the incorporation of ESG-related metrics into executive remuneration. See also below in relation to the consideration of these issues at the Group's Strategy Days.	Following the development of some of the actions outlined below, the Responsible Business Committee (and/or other Committees as appropriate, reporting up to the Board) will monitor the following: • assessment of climate-related risks and opportunities in relation to material capital expenditure or divestitures. • assignment of management oversight of climate-related issues. • integration of the risks and opportunities and climate-related scenario planning into strategic development at the Strategy Days (see also below); – major plans of action; – risk management policies; – annual budgets, – business plans
Management's role in assessing and managing climate-related risks and opportunities	The Managing Directors of Henry Boot Construction Limited and HBD assumed the main responsibility for steering the Group's NZC strategy, reporting into the Responsible Business Committee as appropriate. The Chief Executive Officer has ultimate oversight of the Group's NZC achievements, which will also be reported on to the Executive Committee along with the Board, and disseminated down to other senior management and more widely within the business through planned information releases.	Further consideration will be given to whether the specific allocation of any additional roles or positions relating to climate-related issues is required.
STRATEGY		
Climate-related risks and opportunities identified over the short, medium, and long term	As a result of the risk and opportunity assessment (see under 'Risk Management'), the key risks and opportunities identified are contained within the separate table on page 70.	Although the Group's Responsible Business Strategy was considered alongside the Group and subsidiary Strategy at the Strategy Days, further work will be carried out to integrate the impacts of those risks and opportunities further within the Strategy, working in conjunction with the Executive Committee.
Impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	The Group's Responsible Business Strategy was also considered by the Board and Executive Committee at the Strategy Days alongside other areas of business strategy, including the Group's five-year business plan (into which ESG-related expenditure was incorporated).	The aim in the 2022 Strategy Days will be to reflect fully on the risks and opportunities identified and ensure that these are integrated within the Strategy for each business and for the Group. During 2022, and informed by climate-related scenario modelling work, each subsidiary and the Group will be reflecting on further development of those strategies, as necessary, to embed the impacts identified through the risks and opportunities presented. Concurrently with the 2022 Strategy Days we will update our five-year financial business plan. The plan will incorporate operational costs, capital allocation and funding in light of the risk and scenario planning work performed. This will then also form part of the Group's financial budgeting process for 2023 which follows the Strategy Days.

Area of focus	Progress to date	Future focus
STRATEGY		
Resilience of the strategy, taking into consideration different climate-related scenarios	The Audit and Risk Committee will be considering during 2022 the method of carrying out climate-related scenario modelling to assist in assessing the various climate-related scenarios that may impact on the Group.	A review of each area of operation within the business would assess the risks and opportunities already identified for further analysis and development within the subsidiary and overall Group Strategy.
RISK MANAGEMENT		
Processes for identifying and assessing climate-related risks	A risk and opportunity assessment has been carried out in conjunction with the Managing Directors of each subsidiary business, to review the likelihood and impact of the identified potential risks and opportunities. This focused on each area of physical and transitional risk identified as being pertinent to the industries in which we operate. Once completed, this was compiled into an overall matrix of risk and opportunity, which can be seen on pages 70 and 71. As this exercise has been performed in respect of each part of the business, it has included assessment of risk by sector (and geography to the extent it is relevant).	Further assessment of the impacts of the risks and opportunities identified in relation to scenario modelling is to be undertaken in order to refine the risk and opportunity assessment process, as overseen by the Audit and Risk Committee.
Processes for managing climate-related risks	The Group undertakes an annual review of its principal risks as documented in pages 42 to 49 of this report. This review, which is undertaken at a subsidiary level, includes consideration of the risks and opportunities relating to climate change. The financial impact of the risks is in part quantified in our NZC transition workings, although are not material to the business. As part of the assessment of the climate-related risks and opportunities, the management and/or mitigation of each item identified sets out the response, and a decision to Treat, Tolerate, Terminate or Transfer each relevant item following such management or mitigation was assigned.	Mitigation of these risks, including the medium/longer-term financial impact of key climate risks, and promotion of the opportunities identified, will be further developed, and included within strategy development, as highlighted previously.
How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	The climate-related risks and opportunities assessment was brought to the Audit and Risk Committee for review in February 2022, and will form part of the Group's annual overall risk review matrix with oversight of the Committee in each instance.	As referred to within this table.
TARGETS AND METRICS		
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Metrics and targets relating to a number of environment factors have been adopted as part of overall Responsible Business Strategy (see page 64 for more information.) In relation to this, remuneration-related targets on greenhouse gas emissions have been incorporated into the bonus objectives for the Executive Committee.	Further work will be required following the climate-related scenario planning work to understand the impact that these outcomes have on the Group's Responsible Business Strategy and Group Strategy, and whether this should alter any metrics or targets previously determined.
Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Scope 1 and Scope 2 greenhouse gas emissions are set out on page 71.	The risks related to these have not been fully quantified and will be the subject of further review and assessment.

BUILDING A RESPONSIBLE FUTURE

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CLIMATE-RELATED RISKS AND OPPORTUNITIES

Following a series of discussions with senior managers within the business, the Executive Committee, Audit and Risk Committee and Responsible Business Committee, the following risks and opportunities have been identified as requiring further focus. In relation to the time frames considered, the Group considers short term to be within 12 months, medium term to be between one-five years and long term beyond five years. These timeframes align with the Group strategic objectives, targets and NZC commitments. The financial commitments required to address these risks are embedded in the Group's short-term budget and five-year business plan. We have taken this approach as we recognise that the response to climate change is evolving rapidly and, whilst it is essential to deliver cost projections for the investment needed to tackle climate change, we must maintain flexibility to adapt our projections to take into account changes in the regulatory and legislative landscape and the evolving technological response and availability.

Risk	Description	Our response	Timeframe
TRANSITIONAL RISK			
COMPLIANCE WITH REGULATORY REQUIREMENTS	Government legislation designed to reduce emissions (such as emissions trading schemes/carbon tax requirements or Future Homes standards) changes specifications and increases costs of schemes impacting viability. Strategic Land values reduce as housebuilders and developers look to pass on additional building standards costs as well as additional site planning and infrastructure cost requirements.	The Group closely monitors existing and emerging legislation such as the Future Homes Standard in advance of scheme appraisals. Appraisals then fully embed additional legislative costs, which currently remain within accepted targeted return levels. Strategic Land forecasts recognise potential decreases in profit per plot although currently mitigated by levels of demand and increasing land values.	Short/medium term
TECHNOLOGICAL RISK	Cost of transition to more carbon friendly plant is not absorbed by customers. Impairment and obsolescence of property and plant assets.	A balanced transition to carbon friendly plant considering our customer base, the Group's NZC targets and availability of technological advancements. The Group have assessed the cost of transitioning as part of our NZC framework including the cost of carbon offsetting from 2030 and these costs are included in the Group's five-year business plan. Healthy level of asset replacement and redevelopment, and targeted EPC ratings for investment properties.	Short/medium term action required although will also be longer term actions where technology is not yet available
MARKET RISK	Demand for sustainable assets rapidly increases.	The Group continues to invest in sustainable schemes and assets in line with Group targets and to position ourselves favourably in the market. The increasing cost of switching to sustainable options will in some cases be passed to customers or be embedded within initial land appraisals, we also expect the Group will retain costs in some cases as a responsible employer and where this is the case provision is made in the Group's budget and business plan.	Medium/long term
FINANCIAL RISK	Capital costs increase and availability reduces if the Group does not meet ESG requirements.	Responsible Business Committee and Responsible Business Strategy in place. NZC trajectory and climate change actions agreed across the Group.	Medium/long term
PHYSICAL RISK			
PHYSICAL RISK	Delayed build programmes due to extreme weather events Ground conditions are no longer suitable	Current scheme appraisals make allowance for delays and contractual protections are used where possible. We, therefore, do not expect any material short-term financial losses. In the longer term, where the Group is unable to contractually mitigate the risk it could result in margin erosion on schemes although we do not foresee this resulting in scheme losses due to the healthy margins currently achieved. Biodiversity and flood assessments are considered on all schemes with a particular focus on Strategic Land which can be held for longer durations. In the long term, we could experience a reduction in the volume of suitable land available and at a higher cost to the Group reducing profit margins. This is mitigated in the medium term by the suitable strategic land bank we currently have interest in.	Long term

Opportunities	Description	Response
PHYSICAL RISK		
RESOURCES	Recruitment of modern and progressive people	The Group recognises and manages the risks associated with climate change, however, also has a strategy that actively pursues opportunities arising from positive action that benefits not only the Group but our wider stakeholders.
FINANCIAL	Availability and cost of capital to the Group	
MARKET	Green credentials open tendering opportunities Diversified offerings to customers (green products, retrofitting, redevelopment) Increased premium on sustainable products	
ENERGY SOURCE AND USAGE	Ability to attract tenants Lower operating costs	
INNOVATION AND RESILIENCE	Digital transformation	

HENRY BOOT GROUP CO_2 FOOTPRINT BY SOURCE

Henry Boot Group CO_2e emissions	2021 Tonnes	2020 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities (Location based)	**2,303**	1,918	Rise
Combustion of fuel and operation of facilities (Market based)	***2,303***	n/a	
Scope 2: Electricity, heat, steam and cooling purchased for own use (Location based)	**403**	644	Fall
Electricity, heat, steam and cooling purchased for own use (Market based)	**–**	n/a	
Total direct emissions	**2,706**	2,562	Rise
Total direct emissions per employee[1]	**5.5 tonnes CO_2e**	4.7 tonnes CO_2e	Rise
Scope 3: Upstream and downstream indirect emissions	**948**	796	Rise
Upstream and downstream indirect emissions (Market based)	***834***	n/a	
Total emissions (Location based)	**3,654**	3,357	Rise
Total emissions per employee[1]	**7.4 tonnes CO_2e**	6.2 tonnes CO_2e	Rise

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

Henry Boot Group Energy Usage	2021 MWh	2020 MWh	Trend
Total energy consumed (scopes 1, 2 and 3)	**12,600**	11,551	Rise

CARBON EMISSIONS BY SEGMENT

Henry Boot Group CO_2e emissions	2021 tonnes of CO_2	2021 intensity ratio tonnes of CO_2e	2020 tonnes of CO_2	2020 intensity ratio tonnes of CO_2e	Intensity basis	Trend
Property investment and development	**757**	**11.47**	552	14.22	per 1,000 sq ft of investment property with communal areas	Rise/Fall
Land development	**35**	**1.17**	45	1.44	per employee	Fall
Construction	**2,739**	**26.68**	2,649	22.84	per £1m of turnover	Rise
Group overheads	**122**	**1.85**	111	1.64	per employee	Rise
Total gross controlled emissions	**3,654**		3,357			

Our carbon emissions for the year ended 31 December 2021 were calculated in accordance with the March 2020 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' and the EMA methodology for SECR Reporting.

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 increased by 9% when compared with the historical lows of the previous year; this equates to an increase of 1.2 tonnes per employee. However, when compared to 2019 pre CV-19 levels the Group has reduced carbon emissions by 17%; this equates to a decrease of 0.3 tonnes per employee.

Pictured: Island, Manchester, capable of delivering 91,000 sq ft of Net Zero Carbon office space

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 36 years' experience as a Director of Henry Boot PLC. He has been a Director of the Company's principal operating subsidiaries and his role now sees him responsible for the leadership of the Board. He will step down from the Board on 26 May 2022.

TIM ROBERTS
Chief Executive Officer

B

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 longstanding 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 the engagement with all the Company's stakeholders, including interaction with investors and our people. He is also the Director responsible for all health, safety and environmental matters.

DARREN LITTLEWOOD
Group Finance Officer

B

Date of appointment
January 2016.

Independent
No.

Additional roles held
Director of the Company's six 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 B

Date of appointment
October 2015.

Independent
Yes.

Additional roles held
Non-executive Chair of Made Tech Group plc, Non-executive Director of Gateley (Holdings) Plc, Non-executive Director of Honeycomb Investment Trust PLC, Non-executive Director of Braemar Shipping Services PLC.

Brings to the Board
Key strengths:

- Extensive financial and investment banking experience.
- In depth knowledge of 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. The Deputy Chair role will be retired and Joanne will become the Senior Independent Director from 26 May 2022.

KEY
Committee Membership

- N Nomination
- A Audit and Risk
- R Remuneration
- B Responsible Business
- Committee Chair

JAMES SYKES
Non-executive Director

N B

Date of appointment
March 2011.

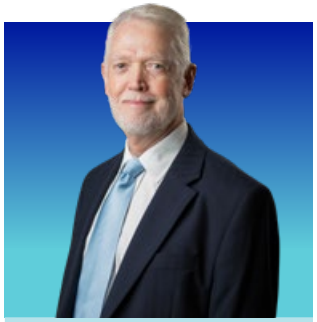
Independent
No.

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 B A R

Date of appointment
October 2015.

Independent
Yes.

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

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. Peter will be appointed Chair on 26 May 2022.

GERALD JENNINGS
Non-executive Director and Designated Non-executive Director for Workforce Engagement

N A R B

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 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 and 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 of 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

NICK DUCKWORTH

Hallam Land
Management Limited

Date of appointment

Managing Director in 2016.

Brings to the Executive Committee

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 Executive Committee

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.

TONY SHAW

Henry Boot
Construction Limited

Date of appointment

Managing Director in 2021.

Brings to the Executive Committee

Tony Shaw joined Henry Boot Construction Limited as a Trainee in 1985 and with a background in production planning and project management, he has held a number of positions in the business including Regional Manager and Operations Director. Tony is North East Regional Chair and a Director of the National Federation of Builders (NFB) and a Director of the Yorkshire Builders Federation (YBF). Tony took over as Managing Director in July 2021.

JONATHAN FISHER

Banner Plant Limited

Date of appointment

Managing Director in 2021.

Brings to the Executive Committee

Jonathan Fisher joined the Henry Boot Group in 2021. He started his career in hospitality, working as a General Manager in a variety of roles for Whitbread before moving into facilities management in sales and management. In 2016, Jonathan joined Elliott Group working as an Account Director for the first two years managing a large portfolio of Tier one contractors. Jonathan was promoted to Regional Director managing the North of the Elliott business, which included four production facilities. Jonathan moved back into a commercial role as UK Sales Director before moving to be Managing Director at Banner Plant.

DARREN STUBBS
Stonebridge Homes Limited

Date of appointment
Chief Executive in 2010.

Brings to the Executive Committee
Darren Stubbs has a wealth of experience in the housebuilding industry and a proven track record in delivering successful housing developments, spanning a 38-year career. He started work at Tay Homes plc at the age of 16 and just nine 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 Executive Committee
Rachel White joined Henry Boot PLC in 2001 as a graduate. 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 and Remuneration, Learning and 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 the development of our People Strategy to meet the requirements of our subsidiary businesses including succession planning, talent management, diversity and inclusion, wellbeing, reward and recognition 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

DEAR SHAREHOLDERS

JAMIE BOOT
CHAIRMAN

DEAR SHAREHOLDERS,

Naturally the business has continued to respond to the ongoing challenges posed by the COVID-19 (CV-19) pandemic, which continues to require us to adapt our operational practices, governance and strategy planning. In the meantime, as a Board we have also been continuing to develop our approach in relation to newer governance challenges, such as ESG and TCFD reporting, which stretches out further our engagement with stakeholders and requires us to think differently about risks and opportunities facing the business. Change continues apace in many areas, such as our approach to diversity and inclusion, and more widely, though linked to this, how we approach remuneration and reward for our people.

Within that context, we have been working with the Executive Committee, which reformed towards the end of 2020, to ensure the senior management of the business is considering and inputting into major decisions affecting the Group. We welcomed two new Managing Directors this year, with Tony Shaw taking over at Henry Boot Construction Limited, and Jon Fisher at Banner Plant Limited. Many thanks are given to Giles Boot and Simon Carr for their leadership of those businesses over many years, and we wish them all the best in their retirement.

SUCCESSION PLANNING

As many of you will be aware, following my announcement in February, I will be stepping down at the 2022 Annual General Meeting (AGM), and it is my privilege and honour to have served the business through my years within the business and on its Board. I am confident that I leave the Group in great shape, having weathered the storm of the pandemic and also having adapted in numerous ways to face the new needs of our business, stakeholders, our people and the wider environment. I know I leave the Chair role in the very capable hands of Peter Mawson, who has been serving on the Board for the past six years, and who brings a wealth of leadership, development and planning experience. We have been carefully thinking about our wider succession planning approach and how we ensure a diverse representation of views on our Board, which you can read about in more detail in the Nomination Committee Report on pages 102 to 107.

ESG AND TCFD

I am proud to say that our focus on being a responsible business, and ensuring that we capture all of the good work we do across the Group, has escalated rapidly during 2021, with the implementation of Phase 1 of our Responsible Business Strategy, 135 Henry Boot. The Board has taken its own role in delivering this strategy seriously, having formed a Responsible Business Committee (which you can read more about on pages 114 to 115 in the Responsible Business Committee Report). During the year, we have also been overseeing the development of the longer-term Phase 2 Responsible Business Strategy, more details of which are on pages 66 to 67, and I believe I will be leaving the business in an incredibly strong position of having found its own authentic way of incorporating responsible business practices within its wider business strategy.

STRATEGY

This year, we have further strengthened our focus on Company strategy, holding two Strategy Days as a Board, together with the Executive Committee towards the end of the year. Whilst the main strategic direction of the Group has not changed, as a Board together with the Executive Committee, we have been able to delve into the ways in which the various parts of the business are contributing to the overall strategy, overlaid with our approach to our people and to ESG, which gives us greater clarity and focus as we move forwards. More details on this can be found on pages 26 to 29.

ENGAGEMENT WITH STAKEHOLDERS

We have continued to consider effective stakeholder engagement during 2021, looking to areas where more effective or direct engagement could be facilitated, and we welcomed the Group Employee Forum to our Board meeting in October 2021 to hear their views on a key issue arising from the employee engagement survey. Through our report on stakeholder engagement activities on page 92, and our Section 172 Statement on page 50, you will be able to see in more detail the ways in which we have ensured that engagement has been tailored to adapt to the needs of our stakeholders, and that their views have 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 2021. We welcome feedback from our stakeholders and I would encourage you to get in touch with us on any governance matters. I'm very pleased that this year we will be meeting in person for our AGM after two years of being unable to see our shareholders at the event in person, and so I hope to see many of you at our AGM venue on 26 May 2022 (see page 204 for full details).

JAMIE BOOT
CHAIRMAN

Code Compliance

During 2021, the Board and its Committees have continued to keep their focus on ensuring 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.

DIVISION OF RESPONSIBILITIES	Read more on pages 83 to 85
BOARD LEADERSHIP AND COMPANY PURPOSE	Read more on pages 86 to 97
COMPOSITION, SUCCESSION AND EVALUATION	Read more on pages 98 to 107
AUDIT, RISK AND INTERNAL CONTROL	Read more on pages 108 to 113
REMUNERATION	Read more on pages 116 to 135

"IT IS MY PRIVILEGE AND HONOUR TO HAVE SERVED THE BUSINESS THROUGH MY YEARS WITHIN THE BUSINESS AND ON ITS BOARD, AND I KNOW I AM LEAVING IT IN FANTASTIC SHAPE FOR THE YEARS TO COME."

GOVERNANCE AT A GLANCE

HIGHLIGHTS

PROMOTING LONG-TERM SUCCESS

- The Board has increasingly monitored risks arising from CV-19 and the current economic uncertainty such as cost inflation, rising interest rates and workforce retention. The Group has remained agile and mitigated these risks swiftly where possible to ensure sustainable long-term stability and success.
- The two-day strategy sessions held in November 2021 consolidated the Group's strategic approach and focus on its key markets. The Board debated the people, IT and ESG strategies to ensure that the business has the right approach and necessary resources to achieve its medium-term targets.

Read more on pages 86 to 97

100% increase in Board and Committee meetings during the year from 2019, attributed to the focus on the 2021 Remuneration Policy, Non-executive and Executive Committee succession and the creation of the Responsible Business Committee.

RESPONSIBLE BUSINESS

- The Board approved the creation of a Board-level Responsible Business Committee in March 2021.
- Following consultation with stakeholder groups, the Board oversaw the development and launch of Phase 2 of the Responsible Business Strategy, which sets out ambitious targets aimed at embedding the Group's ESG approach into commercial and strategic decision making.
- ESG metrics linked to the Responsible Business Strategy are now included in the Annual Bonus personal objectives for the Executive Directors and the Executive Committee.

Read more on pages 51 & 114 to 115

Agreed and published 35 targets to achieve by 2025 to strive for meaningful change across our four key pillars; our people, places, planet and partners.

SUCCESSION PLANNING

- A key area of focus throughout the year was developing the succession plan for the Chair and Non-executive Directors to facilitate progressive refreshment of the Board's membership.
- The Nomination Committee and the Board led the recruitment process for two new appointments at Executive Committee level; one internal promotion and one external recruitment hire for the Managing Directors (MDs) of Henry Boot Construction and Banner Plant.
- Clear EDI targets introduced to encourage greater levels of gender diversity throughout the workforce, including a target of 30% female representation for line manager positions.

Read more on pages 102 to 107

Women on Boards co-appointed alongside Norman Broadbent to ensure that the recruitment process during 2022 for a Non-executive Director is as diverse as possible.

STAKEHOLDER ENGAGEMENT

- 2021 has seen increased interaction between the Board and the workforce. The Group Employee Forum has collaborated in the design of the new workforce remuneration strategy and performance management processes.
- Following a stakeholder mapping exercise, a comprehensive consultation process was undertaken with the results helping to shape the Responsible Business Strategy.
- There has been a commitment to enhance the level of customer feedback to the Board, this will continue to be a focus for 2022.

Read more on pages 92 to 97

"We will only achieve our ambitions if all of our people and stakeholders come on this journey with us."

Peter Mawson

CORPORATE GOVERNANCE REPORT

DIVISION OF 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.

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 and a statement of Code compliance is presented on page 113.

THE BOARD

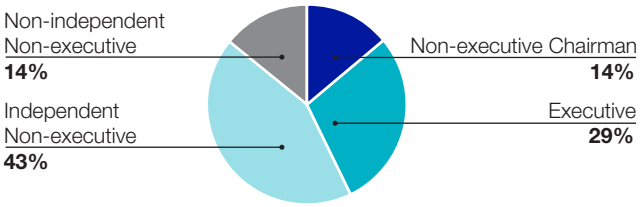
The names, responsibilities and other details of each of the Directors of the Board are set out on pages 76 and 77. There have been no changes in membership during 2021, but you can read about the changes planned from 2022 onwards on page 103.

Throughout the year, there have been seven scheduled Board meetings attended by all Directors, and three separate Board calls to approve one-off, urgent matters. Darren Littlewood was on holiday for the Board meeting approving the appointment of the new MD for Banner Plant, and Joanne Lake and James Sykes were on holiday for the urgent approval of a development site. Both of these meetings were arranged at late notice and the views of the Directors were shared in advance with the Chairman. In addition to the formal Board meetings, two Strategy Days were held in November with a selection of sessions attended by the Executive Committee and senior management.

Jamie Boot **Chairman**	10
Tim Roberts **Chief Executive Officer**	10
Darren Littlewood **Group Finance Director**	9
Joanne Lake **Deputy Chair**	9
James Sykes **Non-executive Director**	9
Peter Mawson **Non-executive Director**	10
Gerald Jennings **Non-executive Director**	10

The number of Committee meetings are reported in each Committee Report and all received 100% attendance during 2021.

BOARD COMPOSITION CHART



BOARD COMPOSITION AND INDEPENDENCE

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.

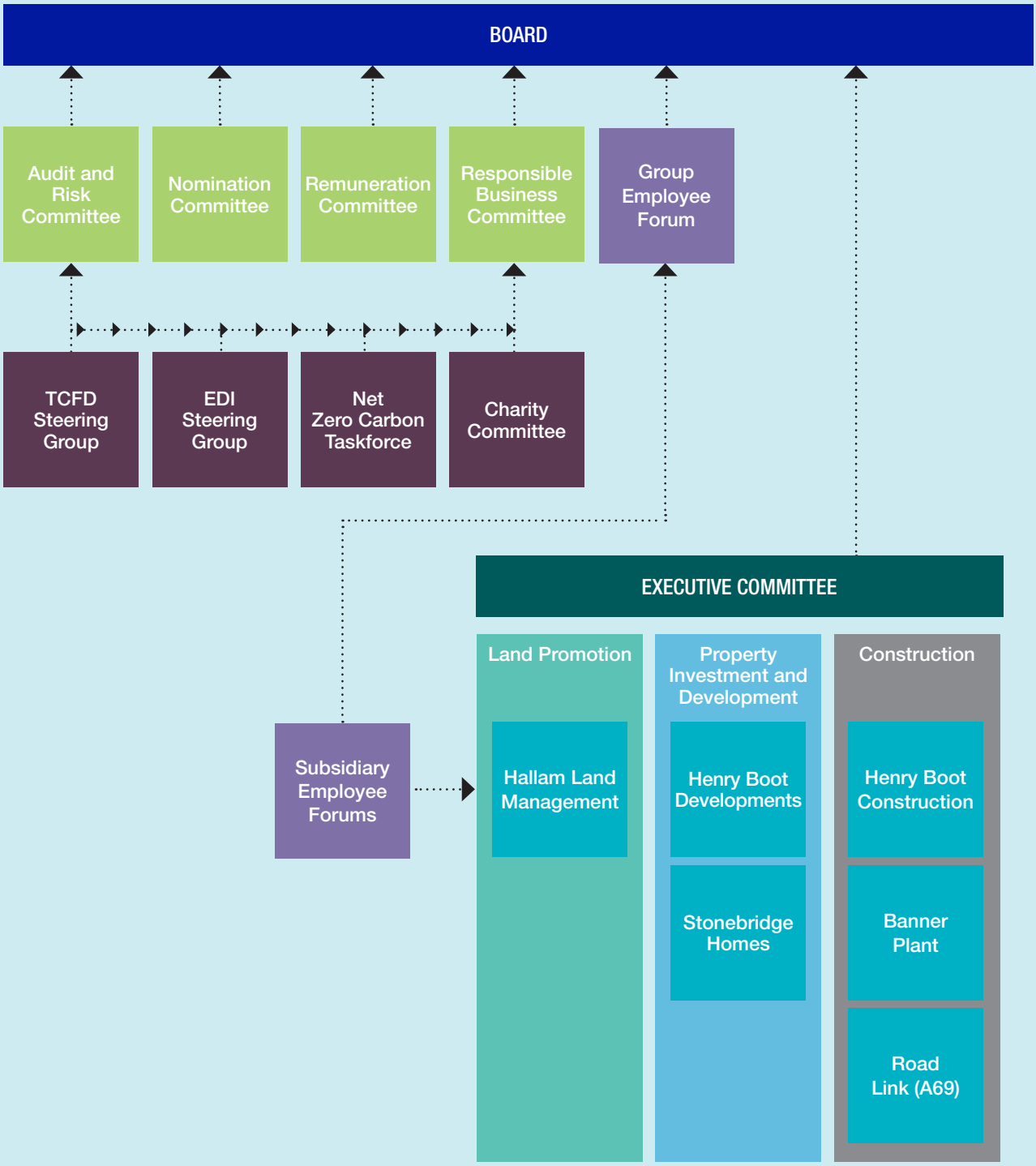
As discussed in more detail in the Compliance Statement on page 113, Jamie Boot is regarded as non-independent having previously served as Managing Director. James Sykes is also classed as non-independent, having been appointed to represent the substantial shareholdings of the Reis family interests (see page 137).

The Company values the importance of its independent Non-executive Directors who provide objective advice and challenge the Executive Directors. Their diverse backgrounds in various sectors and knowledge of the wider business environment are critical when it comes to strategy development. The Non-executive Directors meet without the Executive Directors present, usually the evening before the Board meetings and on other occasions throughout the year.

CORPORATE GOVERNANCE REPORT

DIVISION OF RESPONSIBILITIES

GOVERNANCE FRAMEWORK



KEY FEATURES

BOARD

- The Board maintains a formal schedule of matters reserved for its decision that cannot be delegated elsewhere (available to view on the website)
- This schedule is reviewed at least annually and includes:
  - establishing long-term strategy and objectives
  - overseeing culture and stakeholder engagement
  - approval of annual budgets, financial results and the dividend policy
  - approval of capital expenditure above an agreed amount
  - the determination and monitoring of the Company's principal and emerging risks including the effectiveness of internal controls
- When matters require Board approval, management is required to present a detailed paper, which includes any input or feedback received from stakeholders, assessment of key risks and how the matter links to Group strategy

BOARD COMMITTEES

- Delegated authority from the Board to look after specific areas of responsibility.
- Each Committee operates under its own written Terms of Reference, which are reviewed at least annually and are available on the website.
- Report to the Board and work alongside the other Committees e.g. the Responsible Business Committee works alongside the Audit and Risk Committee to fully consider the TCFD reporting requirements.
- Responsible Business Committee formed in 2021 – see pages 51 and 114–115 for more information.
- Have access to external consultants where necessary.
- See pages 102 to 135 for more information on the work of each Committee.

EXECUTIVE COMMITTEE

- Members are set out on pages 78 to 79.
- Reformed in December 2020, the Board has reviewed and approved their updated Terms of Reference and delegated levels of authority.
- Meets ten times a year to debate strategic issues that affect the Group, to collaborate and share best practice and make recommendations to the Board and also all Executive Committee members attend the Strategy Days with the Board.
- Appointments to the Executive Committee are overseen by the Nomination Committee and the Board. Two new members, Jonathan Fisher (an external recruit) and Tony Shaw (an internal promotion) were appointed during 2021. Both presented their 90-day plans to the Board and returned to provide feedback and give their initial impressions.

SUBSIDIARY BOARDS

- Day-to-day operational management of the subsidiary companies sits with their respective boards and MDs.
- The CEO and Group Finance Director sit on all the principal subsidiary company boards.
- The MDs are invited to attend the Board meetings on a rotational basis to discuss business plans and strategy.
- Board Directors attend the meetings as a guest from time to time to offer support and guidance, and improve their own knowledge of the different businesses.

MANAGEMENT COMMITTEES

- EDI Steering Group – a committee comprising of people from across the Group who have been responsible for developing our EDI Strategy and are now responsible for delivering strategic objectives.
- TCFD Steering Group – a committee of individuals specialising in risk, strategy and ESG across the Group who are responsible for developing the Group's response to the recommendations of the TCFD
- Net Zero Carbon Taskforce – a committee comprising of people from across the Group who have been responsible for developing our NZC Framework (now replaced by the Group Climate Forum – see page 64 for more details).
- Charity Committee – a committee comprising of people from across the Group who meet fortnightly to allocate charitable funding in alignment with the Group's Charitable Giving Pillars.

EMPLOYEE FORUMS

Please see pages 94 to 96 for more information.

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.

BOARD LEADERSHIP AND COMPANY PURPOSE

The Board has a rolling 12-month Forward Business Schedule, which is regularly reviewed to check that there is appropriate balance across the year between forward-looking versus backward-looking discussion and between strategy, risk, operations and governance. It includes routine items that are included on every agenda such as health and safety and financial updates as well as one-off topical items or decisions for approval.

The schedule ensures that all stakeholder groups are discussed and, where appropriate, attendance from management and colleagues across the different businesses is encouraged.

Area	Stakeholders considered	Link to Strategy	What was reviewed and considered?
Contributing to the Group's Strategy Days	Sh E Cu		Whilst strategy remains a focus all year, the Board held two full days dedicated to strategy in November 2021 with the Executive Committee invited to join for some of the sessions. The Board explored long-term trends and forecasts affecting the Group, the refreshed five-year strategic priorities, as well as the People, IT and ESG Strategies.
History of managing gearing and the balance sheet effectively through the cycle	E Cu S Sh Co En P		Throughout our 135-year history, Henry Boot has successfully navigated its way through many economic crises and cyclical downturns thanks to its sustainable business model. Against an uncertain backdrop in 2021, the Board considered a number of key investment decisions and debated how best to employ capital to maximise returns and progress the agreed strategic objectives. Before coming to a decision, the Board considered gearing, the Group's positioning in each of its key three markets and the level of risk involved, particularly when approving speculative developments such as Setl, a residential scheme in Birmingham, that received Board approval in July 2021.
Consideration of the risk and opportunities facing the businesses	E Cu Sh		Whilst a consideration in every meeting, the Board and the Audit and Risk Committee discuss the Group's principal and emerging risks in detail twice a year – see pages 108 to 112 for more information. The Responsible Business Committee also oversees any risks relating to climate change and have been involved in developing our approach to reporting against the TCFD requirements – see pages 68 to 71. Time is set aside at the Strategy Days to reflect on the Group's competencies, external trends and to explore where strategic opportunities may exist in the market. Risk and opportunities relating to individual investment decisions are outlined and debated in detail by the Board before approval is given.
Overseeing the health and safety arrangements in place	E S En Co Cu		As one of Henry Boot's core strategic objectives, safety remains a key priority at Board level. The importance of fostering a strong health and safety culture has been heightened even further during the CV-19 pandemic to ensure that sites and depots remain operational and our people stay safe. Health and Safety reports are received at every Board meeting with updates performance against KPIs and scrutiny over incidents and near misses.
Commitment to development and increasing our knowledge of the business and culture	E Cu S Sh En		The Board has participated in various sessions over the year including Equality, Diversity and Inclusion leadership training as well as various briefings from external advisers on upcoming legislative changes and best practice. The Board also invited an external expert to lead on a tailored economic outlook debate covering issues such as inflation, interest rates and the levelling up agenda. On an operational level, in July, the Board visited the Wakefield Hub and Markham Vale development sites and Henry Boot Construction's The Glass Works in Barnsley. In October, there were tours around the Preston East site and the Kampus development in Manchester. All the visits enabled the Board to meet with wider members of the team, suppliers and contractors giving an insight into culture and the focus on health and safety.

Group strategic priorities

Safety People Growth Delivery

Stakeholders

E Employees
S Suppliers
Sh Shareholders
En Environment
Cu Customers
P Pensioners
Co Communities

CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

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 our people through a 'bottom-up' approach and articulated a culture that reflected all. Since then, we have been on a journey to reflect 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, ensuring that the overall culture of the Group is embedded within its strategy and general approach to business as well as the way the Board conducts itself.

HOW THE BOARD MONITORED CULTURE IN 2021

	Action	Link to culture, and effectiveness of engagement method	Values upheld or impacted	Outcomes, development of culture and addressing culture issues
ENGAGEMENT SURVEYS	The cycle of undertaking and reflecting on the outcomes of the main employee engagement survey has now become well established by the Board, Executive Committee and subsidiary boards. To further develop this approach during 2021, the Group Employee Forum (GEF) was asked to reflect on some of the areas identified as requiring further focus within the survey results, and attended a Board meeting to discuss their views and proposals for addressing the issues raised. In addition to the main employee engagement survey, a Responsible Business Survey was also sent to a sample group of our people in October 2021 who were chosen.	The outcomes of the engagement survey are essential and can build a picture year on year regarding the shift of attitude by our people relating to culture, are essential. It gives a good baseline for the Board to measure against, and as a method of engagement it ensures that it reaches all areas of the Group. In addition, being able to hear directly from GEF members on issues that impact them and their areas of the business enables the Board to understand directly whether our people feel that the culture of the business is being upheld, and where it is not, what could be done to address this. The Responsible Business survey took a more focused approach asking stakeholders their views on how the Responsible Business Strategy linked in the most appropriate way to our business and its values.	**Loyalty** **Integrity** **Collaboration**	The Board reviewed the survey outcome as a whole and through the direct engagement with the GEF, focused on areas that had not scored as well within the survey, such as whether people feel that they are being rewarded fairly. The Board has incorporated these suggestions within the wider reward and recognition strategy for our people to be progressed in 2022, which looks at further embedding culture within measures such as the annual performance development review, with links to financial incentives. The Board received a summary of the Responsible Business Survey results, which influenced the development of our Responsible Business Strategy.
EMPLOYEE FORUM	As well as the direct Board interaction outlined above, and as described on pages to 92 to 96, linkage to the Board is provided by the designated Non-executive Director (NED), Gerald Jennings, appointed to liaise with the GEF, so that the entire Board can benefit from hearing the feedback and respond to issues as necessary.	The Group and Subsidiary Employee Forums provide a key method of employee engagement on several issues including cultural matters and perceptions throughout the Group. The designated NED feeds back on issues discussed by the GEF at every Board meeting, to ensure that relevant issues are taken into account in decision making as well as the general view across the Group on matters impacting on culture. Bringing together interested members of the Group, who can speak directly to the designated NED, means that a cross section of views from around the Group can be heard.	**Collaboration** **Respect**	The Board, represented by the designated NED, attended all GEF meetings in the year and provided insight to the GEF around several matters, including the socialisation of our revised Remuneration Policy for the Executive Directors. Other NEDs and the Executive Directors have also attended the GEF by invitation, where relevant to the agenda. Views of the GEF have been taken into account when discussing those issues at the Board, as reported in more detail on pages 94 to 95.

CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

	Action	Link to culture, and effectiveness of engagement method	Values upheld or impacted	Outcomes, development of culture and addressing culture issues
CORONAVIRUS COMMITTEE	Established in February 2020, and comprising both Board and non-Board members from across the Group, this team has continued to meet during 2021 to ensure that the Group remains flexible in adapting to the challenges posed by the CV-19 pandemic.	This forum has enabled feedback from the Group to be filtered up to the Board on various measures taken and views across the Group on matters relating to the pandemic response. By including the CEO and Group Finance Director on the Committee, to hear input from across the Group from our people, this has enabled a more informal interaction, which has been flexible to accommodate the Committee's requirements.	**Adaptability** **Collaboration**	Issues such as the Agile Working Framework, developed partially as a result of the CV-19 pandemic, was carried out by this Committee, with the broad range of representatives across the Group able to input on ways this would feed into the culture of their respective parts of the Group. This was considered when it was agreed by the Board.
WEBINARS	The Responsible Business Committee launched a series of ESG-related webinars during 2021 including Board members, focusing on the three strands of the 135 Henry Boot Responsible Business Strategy. 135 Henry Boot was launched in March 2021 with a webinar featuring our CEO. Our Equality, Diversity and Inclusion Strategy was also launched with a webinar in April 2021 and this was supported by members of the Board.	This enabled the Committee members to interact directly with webinar attendees to respond to matters such as diversity and inclusion within the Group, and the Group's community engagement and charitable giving initiatives. Webinars were chosen as an effective method of engagement because they gave the ability for real-time interaction, but also were recorded for later access by those who could not attend at the time of broadcast.	**Adaptability** **Collaboration**	As a result, our people were provided with a clear demonstration of the Group's leadership from the top on responsible business issues. The Board's focus and commitment to responsible business was clearly demonstrated.

	Action	Link to culture, and effectiveness of engagement method	Values upheld or impacted	Outcomes, development of culture and addressing culture issues
STRATEGY DAYS	The Group's People Strategy, alongside the wider strategy of the operational businesses, was discussed at the 2021 Strategy Days with the Board and Executive Committee.	Issues such as attraction and retention of talent, and their link to key strategic objectives, enabled the Board and Executive Committee to consider how this could enable the delivery of the key strategic objectives.	**Delivery** **Integrity** **Collaboration**	The Board and the wider Executive Committee debated the key strategic objectives relating to our people for 2022 and beyond reflecting on the pressures that the business has felt in 2021, particularly in relation to recruitment and retention. The Board acknowledges that the Group has a positive culture and that we need to maintain this in order to ensure our ongoing and future success. The Board has agreed a number of key, people-related initiatives for 2022 and beyond, which will enhance our employer (EVP) value proposition and positively position us for future growth.
RESPONSIBLE BUSINESS COMMITTEE	The Board's establishment of a Responsible Business Committee (see pages 51 & 114 to 115 for the work of the Committee during the year) is a further strand of connection to the wider workforce as well as to the Group's customers, suppliers, professional service providers, professional associations and community, charity and education partners.	The Committee focuses on a number of issues that relate to culture in practice across the Group, and how this is also perceived by external stakeholders and our people, as well as the embedding of our Henry Boot Way culture-related activities and the Values within our Responsible Business Strategy.	**Respect** **Integrity** **Delivery**	The view of our people and external stakeholders influenced the shaping of the Phase 2 Responsible Business Strategy, such as the UN SDGs that most align to our business, and the material issues that the Strategy should address.

CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

HOW THE BOARD ENGAGES WITH STAKEHOLDERS

The Board 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."

In 2019, the Board formally adopted a Board Stakeholder Policy, which was key in setting the of current and future engagement with all of the Group's key stakeholders.

During 2021, methods of engagement were kept under review and further developed wherever possible, to ensure that they were done in a way that was significant and relevant. Disruptions to normal working practices continued during 2021 due to the CV-19 pandemic and so every effort has been made to tailor engagement to stakeholders reflecting these challenges, with some methods of engagements being adopted permanently, such as colleague webinars.

Method	Information flow to Board	Direct Engagement
EMPLOYEES		
Group Employee Forum (GEF) and Nominated Non-executive Director (discover more information on this on pages 92 to 96)	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 and CEO. Attendance by GEF at October 2021 Board meeting.
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 continued to be used to engage with our people 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 our people, as well as other Board members on matters such as the launch of the Responsible Business Strategy initiatives. Whilst restrictions allowed, the CEO also hosted numerous in person breakfast sessions throughout the year. Groups were chosen at random to spend time with CEO on an informal basis discussing any areas of interest and raise suggestions or issues directly with him.
Employee engagement surveys Employee engagement surveys were carried out in January and November 2021.	Results of the employee engagement surveys including actions arising are brought to the Board following completion for review and agreement of next steps.	Attendance by the GEF at October 2021 Board meeting to discuss significant issues arising from surveys.
COMMUNITIES		
Environmental, social and governance (see more about this in our Responsible Business section on pages 51 & 114 to 115)	The Board has now formed a Responsible Business Committee, with Board Directors as members, which oversees the development and implementation of the Group's Responsible Business Strategy. A key pillar of this relates to community engagement and partnerships, overseen by the Committee with ultimate responsibility to the Board.	Members of the Responsible Business Committee have been proactively involved in the development and initial delivery of the Group's Responsible Business Strategy. The Responsible Business Manager has met routinely with the Board and presented at Board meetings and the Strategy Days.
Reserved matters	Approvals now require specific consideration of stakeholder engagement.	
Community engagement	The Responsible Business Committee has formulated a Phase 2 Responsible Business Strategy and framework for reporting on ESG matters. This included stakeholder engagement across the Group and externally, in relation to all ESG matters, to determine the current state of play and opinions, for presentation alongside the Phase 2 Strategy. Much work has been done on an individual project basis and also subsidiary and Group wide on community engagement, particularly through the 135 Henry Boot project. This is detailed further at pages 53 to 56.	Gerald Jennings is the Board Sponsor of the Community Partnership Plan (CPP) and will, in addition to attendance at the GEF meetings, meet with the Charity Committee and Responsible Business Working Group on an annual basis.

Method	Information flow to Board	Direct Engagement
PENSIONERS		
Pensioners' lunch		Usually arranged by the Company and attended by Board members (impacted by CV-19 in 2021).
Ad hoc events for pensioners and family members		Wherever possible these are attended by Board members. Colleagues who were active contributory members to the defined benefit pension scheme were consulted on the closure of the scheme to future accrual with effect from 19 March 2021. The consultation was led by the Group Finance Director and the Head of HR and was conducted on a collective basis using video conferencing to provide information to affected members on the Company's proposal.
Pensions Report	The Group Finance Director provides pensions update at every Board meeting including details on any events notifiable to the Pensions Regulator. The Board were kept fully informed on the closure of the defined benefit pension scheme to future accrual and the process of consulting with individuals who were affected.	
CUSTOMERS (including local authorities)		
Subsidiary engagement	Formal and informal feedback methods are carried out throughout the Group. More rigorous methods of engagement are being introduced by each subsidiary business during 2022 and will be fed back to the Board on an annual basis, to enable the Board to consider any required direct engagement in due course.	
Awards	In conjunction with our clients and customers, we represent our joint success in schemes across the Group through achievement of numerous awards.	
ENVIRONMENT		
Environmental, social and governance (see more about this in our Responsible Business section on page 66)	The Responsible Business Committee oversees the development and implementation of the Group's Responsible Business Strategy.	Members of the Responsible Business Committee have been proactively involved in the development and initial delivery of the Group's Responsible Business Strategy. The Responsible Business Manager has met routinely with the Board and presented at Board meetings and the Strategy Days.
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.	
SHAREHOLDERS		
Investor roadshows	Structured feedback sessions are reported to the Board.	Take place annually with the CEO and Group Finance Director.
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.
Regular Board updates	Provided in relation to investor and proxy advisor sentiment collated by management/brokers/PR.	
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 again in 2021 due to CV-19. Read more about the AGM on page 204.
SUPPLIERS		
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.	

OUR ENGAGEMENT THROUGH THE ANNUAL GENERAL MEETING

The Board carefully considered the best method of engagement with its shareholders due to the difficulties of holding an in-person AGM in 2021. The AGM in May 2021 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 provided appropriate avenues for engagement, and will be looking forward to welcoming shareholders in person again in 2022.

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 our peoples views are being taken into account. The Board has established two key methods of direct Board engagement, also demonstrating compliance with provision 5 of the Code:

- the founding of a network of Employee Forums across the Group; and
- the appointment of a designated Non-executive Director (NED) of the Board to liaise with the Group Employee Forum.

In addition, there are a number of ways that employee engagement is addressed in our Responsible Business Report on pages 52 to 66, and in this section, we outline the ways in which that engagement has specifically taken place with the Board.

EMPLOYEE FORUM

Our Group and subsidiary Employee Forums, launched in 2019, have continued to meet to discuss a range of key Group issues during 2021. Each main wholly-owned subsidiary (and Henry Boot PLC) have their own Subsidiary Employee Forum (SEF), the Chair of each of which meets to form the Group Employee Forum (GEF).

The Group is constantly looking to develop and strengthen its approach to employee engagement, and recognises the Employee Forums as a pivotal route to hearing the voice of our people. As a result, in 2021, the Board has undertaken a number of initiatives to strengthen the arrangements for the GEF, such as coaching and training for its members, as well as raising their profile, to ensure that all Group colleagues have visibility over the work of the GEF. This work will continue in 2022, focusing on the role of the SEFs, and ensuring that subsidiary-specific matters equally receive the consideration required to ensure meaningful engagement with leaders of the respective businesses. This in turn will impact on issues being flowed up to the GEF and thereafter, the Board.

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:

What employees requested or were consulted on	Method and outline of engagement	How the Board responded
Employee survey results including approach to reward and recognition	The Group results were shared with the Board who tasked the GEF with identifying priorities that they would like to investigate and develop a response to as a colleague led solution. The GEF considered that promotion and performance management were associated areas which could be considered in parallel. The GEF, in consultation with the wider workforce, developed an approach which could be incorporated into the reward strategy during 2022 particularly in relation to career pathways, performance management and performance-related pay mechanisms.	The Board and management through the NED liaison provided guidance to the GEF and provided scope for the integration of the outputs to the existing reward strategy project. The GEF was invited to a Board meeting to present its preferred solution, where the Board sought to understand the rationale of the solutions offered and how this could be incorporated into Henry Boot.
ESG	Preliminary drafts of both phases of the Responsible Business Strategy were shared with the GEF to ensure that the strategic direction and aspirations would be engaging for our people. The GEF provided insightful feedback and, in particular, provided guidance on how best to engage our people when launching the strategies and guidance on the level of aspiration for specific targets.	The Board and management, through the NED liaison and CEO, supported the Responsible Business Manager to incorporate the feedback and guidance from the GEF.
Agile Working Framework	GEF members were canvassed for their views on the Group's proposed approach and were asked to contribute to the consultation activities (through surveys and webinars) being carried out widely across the Group. GEF members remain involved in reviewing the roll-out of this initiative, to ensure that the diverse needs of our people were considered.	The Responsible Business Committee has overseen the implementation of the Agile Working Framework, and will be monitoring its ongoing development throughout 2022, alongside the GEF, who will be focusing on this issue more widely alongside wellbeing to propose additional initiatives for our people.

What employees requested or were consulted on	Method and outline of engagement	How the Board responded
Method of engagement	GEF members were asked for feedback on initiatives such as Breakfast with the CEO and the strategy and Group update broadcasts by CEO and GFD, to understand how effective these methods of engagement had been.	Engagement with the GEF in relation to these methods will continue in order to refine and add to effective channels of communication.
Closure of the defined benefit (DB) pension scheme	Colleagues who were active contributory members of the DB scheme were consulted on the closure of the scheme to future accrual with effect from March 2021. The consultation was led by the Group Finance Director and the Head of HR and was conducted on a collective basis using video conferencing to provide information to affected members on the Company's proposal. Individual consultation meetings took place with each members by request, before the final decision to close was made with support of the Board. The final decision was communicated to all affected colleagues by letter, with the wider pension scheme membership being informed through the Spotlight pensions magazine.	The Board supported the decision to close the DB pension scheme to active members and future accrual, and delegated the management of the closure to the Group Finance Director and the Head of HR. The Board were kept informed at all stages of the consultation and the final decision to close was taken at the Board meeting in March 2021.
Removal of company cars to be replaced by car allowance	In line with our NZC ambitions, the Company reviewed our car fleet arrangements in light of the pandemic and the increased move by colleagues to car allowance. A consultation was held with all colleagues who had a company car, guidance and insight was sought from the GEF as to how best to approach this matter, as it was perceived to be very emotive. Consultation was led by the Head of HR with support from the Group Finance Director and was conducted on a collective basis, followed by individual meetings for those who wished to discuss specific circumstances. The GEF was consulted on the communication of the outcome of the consultation.	The Board supported the decision to move to a more progressive policy for fleet arrangements. The Board were kept informed at all stages of the consultation and were notified of the final changes in August 2021.

CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

Q&A

WITH JEN MCNAMEE
(GEF CHAIR)

Q

HOW HAS THE BOARD SUPPORTED AND INTERACTED WITH THE GEF OVER THE PAST YEAR?

A

The Group Employee Forum comprises the chairs of each of the PLC, Hallam, HBD, Construction and Banner Employee Forums, in addition to Gerald Jennings, a Non-executive Director on the PLC Board. Having Gerald on the GEF enables us to have two-way communication between the GEF and the PLC Board. The agenda for every GEF meeting includes suggestions for Gerald to take to the Board, and questions received from the Board. Further, Tim Roberts, our CEO, whilst not a member of the GEF, is a very frequent attendee at the GEF meetings – we welcome Tim's commitment to the GEF and his involvement reflects the value the business places on the GEF and on seeking input from its employees on decision making. In November 2021, the GEF presented our proposed solution for improving both the Promotions and Review Processes within the business to the Board. This was really well received and will be used to shape future Henry Boot promotion and review policies.

Q

HOW DO YOU FEEL THE GEF SUPPORTS THE CULTURE OF THE BUSINESS?

A

Henry Boot is a great employer and a large part of that is down to its friendly, open and supportive culture. The GEF gives a voice to all employees across the Group. It encompasses the Values of Henry Boot: Respect – it facilitates two-way, clear and constructive communication; Adaptability – we challenge how we do things and consider how they can be improved; and Collaboration – the GEF and subsidiary employee forums bring together employees across all teams, locations and subsidiaries and strives to bring about positive change that meets the needs of the business as a whole.

Q

WHAT AREAS DOES THE GEF WANT TO FOCUS ON IN THE FUTURE?

A

As we did last year, the GEF are in the process of reviewing the low scoring areas from the most recent Employee Engagement Survey with a view to identifying areas for improvement for the GEF to focus on, and propose solutions to, over the coming year. In addition, the GEF is always open to hearing suggestions for how we might improve the business and tackling any issues which are raised. Before new policies, such as the Agile Working Framework and the Responsible Business Strategy, are rolled out across the Group, they are referred to the GEF first, who in turn ask the employees for their views. Given the value Henry Boot places on openness and transparency, the GEF periodically seeks feedback on Group-wide communications to check how these are perceived and whether the method of communication and level of detail is being pitched at the correct level.

BREAKFAST CLUB WITH TIM

Tim Roberts commenced his role as Chief Executive Officer in January 2020. Less than three months later, the UK went into lockdown in response to the CV-19 pandemic. Whilst the Group continued to function effectively throughout this time, the pandemic and associated restrictions significantly curtailed the ability for Tim to engage with teams across the business in person. As a new CEO, Tim recognised the importance of getting to know colleagues from across the Group and for them to get to know him, whilst also being given the opportunity to find out about his vision for the business and ask of him any questions they may have or share feedback about their experiences of working for the Group.

To enable this, a new event series 'Breakfast Club with Tim' was launched in September 2021. Taking place approximately every six weeks, these events are hosted by Tim and find him inviting a group of colleagues to join him for an informal and complimentary breakfast and discussion. Each event is attended by approximately ten colleagues with events held alternately at Head Office (attended by a selection of colleagues representing each subsidiary) and regional locations (offices, sites or depots and attended by the teams in these locations).

The events have given a number of our colleagues the opportunity to get to know Tim and share with him their experiences of working for the Group, feedback on specific initiatives (e.g. agile working) and to offer ideas as well as to hear Tim's plans for the business. To date, three events have been hosted in September (Dronfield); October (Manchester); and November (Sheffield) with plans for further events in place throughout 2022.

"HOSTING THE BREAKFAST CLUB HAS PROVIDED AN EXCELLENT OPPORTUNITY FOR ME TO GET TO KNOW MY BRILLIANT COLLEAGUES ACROSS THE GROUP AS WELL AS TO HEAR THEIR FEEDBACK AND IDEAS DIRECTLY ABOUT HOW WE DEVELOP OUR BUSINESS. THIS HAS BEEN INVALUABLE AND WE WILL CONTINUE TO EVOLVE THE EVENTS AND ENGAGE WITH OUR PEOPLE TO ENSURE THAT WE WORK CLOSELY TOGETHER AS A TEAM."

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

BOARD PERFORMANCE REVIEW

Although Henry Boot is not required to conduct an externally facilitated performance review, as it sits outside the FTSE 350, the Nomination Committee did seriously consider whether to engage an external provider for 2021. Whilst the value of such a process was fully appreciated, the Committee concluded that it would be preferable to delay to a year when face-to-face meetings had completely resumed in order to maximise the benefits. This decision will be reviewed again in 2022.

A formal and rigorous internal performance review was, undertaken for the Board, its Committees, the Chair and each individual Director. Given the increased attendance at meetings from management throughout the year, and in the spirit of eliciting feedback from stakeholders, all attendees at Board meetings were asked to complete an anonymous questionnaire seeking their thoughts on preparing for, attending and receiving feedback after the meetings. This step offered an additional layer of rigour to the evaluation process and introduced a new stakeholder perspective to the review.

The process and results are set out below.

PROCESS

STEP 1

In March 2021, the Nomination Committee considered whether to conduct an externally facilitated performance review but agreed to proceed with an internal approach for the reasons set out above.

STEP 2

The Board discussed and agreed an approach in October 2021.

STEP 3

Question content was agreed with the respective Chairs and the questionnaires issued. 1:1 interviews were also arranged with Jamie Boot to discuss individual performance and training needs.

STEP 4

Questionnaire deadline, results were collated and reports written.

STEP 5

At the year-end, results were reviewed with the Board and respective Committees, and actions were agreed for 2022. Progress against the 2021 actions was also discussed.

STEP 6

Mid-year reviews will be carried out in summer 2022 to discuss performance against the agreed actions before a full review at the year-end.

AREAS WHERE THE BOARD SCORED STRONGLY:

- Welcoming and respective environment
- Increased focus on ESG matters
- Open and collaborative approach
- Management oversight and challenge

BOARD FOCUS AREAS:

- Understanding the customer
- Refine reporting approach
- Further increase the Board's visibility following CV-19 and remote working culture

COMPOSITION, SUCCESS AND EVALUATION

BOARD

2021 action areas	Progress during 2021
Strategy Ensure there is a regular update to the Board on progress against the 2020 Strategy Day actions.	Progress against the Strategy Day actions were reviewed in the July Board meeting and again at the 2021 Strategy Day.
Reporting Ensure that stakeholder engagement and views are built into Board reporting more robustly. Work with the Executive Committee to develop consistency and brevity of subsidiary reporting and ensure that they contain clear and concise summaries.	Stakeholder views are more consistently considered in meetings. KPIs are now reported in a consistent approach across all the different businesses and all Board papers across the Group are distributed on the same electronic platform. There is still some further work to be undertaken to streamline the reports and oversee the governance framework.

Action areas for 2022
Customer Regular updates to the Board on the development of the customer feedback processes for each business and review where direct Board involvement would be beneficial.
Agenda Review the Forward Business Schedule in H2 with the aim of reassessing agenda structure and priorities.
Key Project Oversight Introduce a more structured process for monitoring projects that have received Board approval and increased focus to be given to capturing lessons learned.

AUDIT AND RISK

2021 action areas	Progress during 2021
Risk review Continue ongoing review of risk appetite, principal and emerging risks and the mitigation measures in place.	Biannual updates on all risk aspects received by the Committee following a detailed review by the Executive Committee.
Risk mapping Undertake a risk assurance mapping exercise in conjunction with internal/external auditors	Initial risk mapping exercise undertaken in conjunction with KPMG. This will be an ongoing exercise which will be kept under review.
External audit Evaluate first full financial year audit carried out by EY to identify any pinch points or lessons learned.	The results of the evaluation, including a debrief with EY and feedback from senior internal stakeholders, was discussed in July 2021.
Internal audit Tendering the position of internal auditor, and considering the approach and content for internal audit for 2022 onwards.	A tender was undertaken with three firms presenting to a panel. The decision to appoint KPMG was approved in September 2021.

Action areas for 2022
Internal controls Monitor and implement (as required) the new requirements arising from the BEIS consultation.
Climate-related risks Evolve our approach to the assessment of climate-related risks and climate scenario planning in line with TCFD recommendations.
Independence Policy Refine Company policy and protocols for maintaining independence from the external auditors.

CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

NOMINATION

2021 action areas	Progress during 2021
Equality, Diversity and Inclusion Continue to monitor and support Equality, Diversity and Inclusion (EDI) initiatives across the Group with the corresponding link that this represents in providing progress against diversity targets in the Board Diversity Policy.	EDI initiatives monitored and supported and EDI training undertaken for all Board members. Women on Board have been co-appointed to recruit the new NED with a view to improve diversity on the Board. Diversity-related people targets included in the Responsible Business Strategy and Executive Director remuneration.
Skills development Continue to consider the future Group strategy and the skills needed at Board level to bridge any skills gaps.	The Skills Matrix was reviewed in 2021 and will be carefully considered again in 2022 ahead of future Board appointments.
Succession planning Continue to review at least annually the succession plan for Executive Directors and senior management and, in light of the Senior Leadership Development Programme, invite the Executive Committee to prepare a succession plan for the senior leadership within their teams.	Talent grids for each subsidiary business were reviewed in March 2021 with a request to broaden further for 2022.

Action areas for 2022
Executive Succession Review succession plans for each Executive Committee member and those prepared by the MDs of each business.
Skills Matrix Re-evaluate the approach to the skills mix on the Board, ensuring that skills required to deliver the Group's future strategy are fully considered.
Diversity Work with recruitment partners to ensure that the long list and short list for the new NED appointment is adequately diverse to find the best possible candidate for the role.
EDI 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.

REMUNERATION

2021 action areas	Progress during 2021
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.	Increased level of disclosure made in the 2020 Annual Report and good progress towards best practice and code compliance with the introduction of the 2021 Remuneration Policy. Strong support received at the 2021 AGM for the Remuneration Report and the Policy.
Stakeholder engagement Ensure that stakeholder engagement and views are built into Committee reporting more robustly, in particular our peoples views of (linking into the Group Employee Forum as applicable).	The Group Employee Forum held a session with the Committee to present their view on reward and performance management. Gerald Jennings holds a session every year with the GEF to discuss remuneration matters including the Executive Directors' personal objectives.
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.	The Committee has overseen a review undertaken by Korn Ferry to initiate a new approach to workforce reward with a clearer link to performance. Annual Bonus decisions have been aligned to the approach for the wider workforce.

Action areas for 2022
Executive Committee pay Review the salaries and structure of the Executive Committee members' variable pay to ensure a consistent approach and alignment with the Executive Directors and the wider workforce.
Workforce remuneration Monitor the roll out of the new workforce Rewards and Recognition Strategy, seeking feedback from the Group Employee Forum at various stages.

RESPONSIBLE BUSINESS COMMITTEE

Action areas for 2022
Specialist speakers To engage with a series of specialist guest speakers who will inform the Committee on a variety of ESG topics including the regulatory and legislative framework.
Training Working with the Responsible Business Manager and Company Secretary, to identify and commission specialist third parties to provide training and/or updates on the ESG regulatory and legislative framework to the Committee and the workforce.
Engagement To engage with all Henry Boot working groups, including the Group Employee Forum, focusing on responsible business throughout the year to understand their roles, opinions, and aspirations.
Best practice To identify peers (in our sector and beyond) that are performing well on ESG and continually work with the Responsible Business Manager to benchmark Henry Boot's performance.

CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

NOMINATION COMMITTEE REPORT

PETER MAWSON
CHAIR OF THE NOMINATION COMMITTEE

6 6

JAMIE BOOT
COMMITTEE MEMBER
6 6

JOANNE LAKE
COMMITTEE MEMBER
6 6

JAMES SYKES
COMMITTEE MEMBER
6 6

GERALD JENNINGS
COMMITTEE MEMBER
6 6

Nomination Committee attendance key

Meetings attended

Eligible meetings

REVIEW OF THE YEAR

2021 has been a busy year for the Nomination Committee (the Committee), we met six times to consider a wide variety of significant issues and initiatives. A key focus area for the year was succession planning, for the Board Chair, Non-executive Directors and the Executive Committee. We have also continued to broaden our understanding of the talent below these levels and have received updates on the Senior Leadership Development Programme and the Leadership Development Programme.

Time has been spent reviewing the skills, knowledge and overall effectiveness of the Board and its Committees and, as a result, the Committee approved the membership of the new Responsible Business Committee in March 2021, which works alongside the Committee and will lead the focus on ESG matters.

Diversity and inclusion remained a priority as we seek to improve diversity across all fronts. This has been at the forefront of our decision to appoint Women on Boards as a joint partner for the recruitment process to appoint a new Non-executive Director during 2022.

Further details of 2021's activity can be found over the next few pages.

Those serving as members of the Committee for the whole of 2021 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 Committee, I am pleased to present the Directors' Nomination Committee Report for the year ended 31 December 2021.

HENRY BOOT PLC BOARD

NOMINATION COMMITTEE

Proactive Board succession planning and appointments
Read more on page 103

Leading process for senior management appointments
Read more on page 103

Assessing core skills and commitment
Read more on page 104

Identifying skills and experience gaps
Read more on page 104

Increasing Diversity
Read more on page 105

Monitoring overall Board and Committee effectiveness
Read more on page 107

BOARD SUCCESSION PLANNING AND CHAIR APPOINTMENT

The Committee has been aware for some time that it needed to reconsider its succession planning approach, taking into account its aspirations for diversity and inclusion, the need to plan for the future and also to consider appropriate methods of addressing outcomes of its skills evaluation. Towards the end of 2021, the Committee reviewed the duration of service for all current Directors, and discussed with each Director their preferences for the remainder of their service.

During these conversations, it became clear that Jamie Boot would like the Committee to consider planning for his retirement during the course of 2022. As a result, an indicative timeline of potential recruitment and selection procedures was considered and agreed.

AUTUMN 2021

Informal conversations held with all Directors

DECEMBER 2021

Considered approach for Jamie's retirement and Non-executive Director succession. Agreed that an existing Non-executive Director should be appointed for continuity reasons

JANUARY 2022

Expressions of interest submitted

FEBRUARY 2022

Formal interview process

Chaired by Joanne, the Committee approved Peter's appointment

MAY 2022

26 MAY 2022

Jamie to retire. Peter to commence Chair role

SUMMER 2022

New independent Non-Executive Director to be appointed

After undertaking a considered selection process to determine the Chair succession, inviting expressions of interest from all independent Non-executive Directors currently serving on the Board, I will be appointed as Chair with effect from Jamie's retirement in May 2022. I have been a member of the Board since 2015 and am determined to continue to drive Henry Boot's commitment to achieving high governance standards and following best practice, whilst ensuring that stakeholder engagement remains a key priority. I will be retaining my role as the Chair of the Nomination and Responsible Business Committees, the latter being in the short term prior to appointment of a new independent Non-executive Director later in 2022.

As a consequence of my changing role, the Senior Independent Director position will be assumed by Joanne Lake. The Board has taken the decision to retire the role of Deputy Chair, which was previously held by Joanne, as it is not considered to be usual for a Company of this nature.

Following Jamie's retirement, there will be a temporary imbalance in the number of independent and non-independent Directors on the Board for a short period of time. This will be addressed and actively managed through a thorough recruitment and succession programme, with the aim being to appoint an independent Non-executive Director in summer 2022, when we will return to being Code compliant. Further independent Non-executive Directors will be appointed during the following years, replacing those approaching their nine-year tenure, to ensure that Board membership is progressively refreshed. In addition, there is anticipated to be a further period during which the flexibility permitted by provision 19 of the Code, to allow me to remain in my role as Chair past the nine-year period of tenure, is contemplated. This is to ensure that all new Non-executive Directors who have been recruited will have developed detailed knowledge of the business, before becoming eligible to be considered for the Chair role anticipated in 2026.

"WE INTEND TO SEE REAL PROGRESS ON OUR DIVERSITY TARGETS OVER THE COMING YEARS. AS A SIGN OF OUR COMMITMENT, WE HAVE ENGAGED WOMEN ON BOARDS AS A JOINT RECRUITMENT PARTNER ALONGSIDE NORMAN BROADBENT TO MAXIMISE THE DIVERSITY INCLUDED IN THE LONG AND SHORT LISTS FOR OUR NEW NON-EXECUTIVE DIRECTOR APPOINTMENT."

The Committee took the informed decision not to appoint an external recruitment partner to select a new Chair, considering instead that maintaining continuity of experience was vital to ensure a smooth transition to a new Chair. However, the Committee considers it be a major step to have an independent Non-executive Director taking the Chair role, and that the approach taken ensures a good balance of independence alongside maintenance of the knowledge acquired from a Director who has been on the Board for over 36 years.

However, external recruitment partners have been selected by the Committee to assist with the recruitment process for new independent Non-executives to the Board. The Committee's appointed partner is Norman Broadbent, who will be used in conjunction with Women on Boards, to help the Committee to shape its requirements for the role and to propose strategies to achieve greater diversity on the Board.

The Committee fully recognises the commitments within its Board Diversity Policy (see page 105) to achieving greater diversity and inclusion within its members, whilst acknowledging that it will take time to be able to put these objectives fully into action through this succession approach. In addition, the Committee will be considering the extent to which it can address any outcomes from its skills assessment in the recruitment activities, whilst acknowledging that it will also need to fulfil any other regulatory requirements in relation to Committee Chairs and membership.

EXECUTIVE APPOINTMENTS

The Committee oversaw the process for appointing two new Executive Committee members during 2021, due to the retirement of the MDs of Banner Plant and Henry Boot Construction. External recruitment consultants, Page Executive, who were our recruitment partner for the recruitment of Tim Roberts, but who were subject to the usual tender process for contacts of this nature, have no other connection to the Company or individual Directors, were engaged to support the process. Following a rigorous and formal procedure, the Committee appointed Jonathan Fisher (an external hire) as MD of Banner Plant and Tony Shaw (an internal promotee) as MD of Henry Boot Construction. It was encouraging to see a balance of internal and external routes into the roles; Tony's development is something we have been following for a while under the executive succession plans and Jon brings a fresh,

CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

Nomination Committee Report

external perspective that has already added value. Both appointees have made a strong start at their respective businesses and have contributed positively to the Executive Committee dynamics.

Committee approval was also given during the year for two internal promotions to Directors of key subsidiary boards.

SUCCESSION PLANNING

The Committee reviews talent grids for its senior management on an annual basis, noting progress of individuals over the past 12 months. The Committee also oversees the Company's 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 2020, the Committee initiated a programme 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.

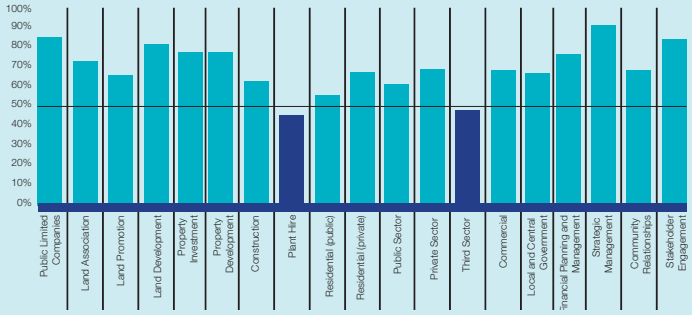
Though implementation of the LDP has been hampered to some extent by the CV-19 pandemic, cohorts have still been undertaking the programme, leading to further development activities and succession planning outcomes as a result. This important work continues to establish a process for the Group to identify its future talent and ensure that they are given the environment in which to thrive. The Committee will be overseeing the continued delivery of the LDP during 2022 and monitoring its ongoing impact on succession planning throughout the business.

BOARD EVALUATION AND SKILLS ASSESSMENT

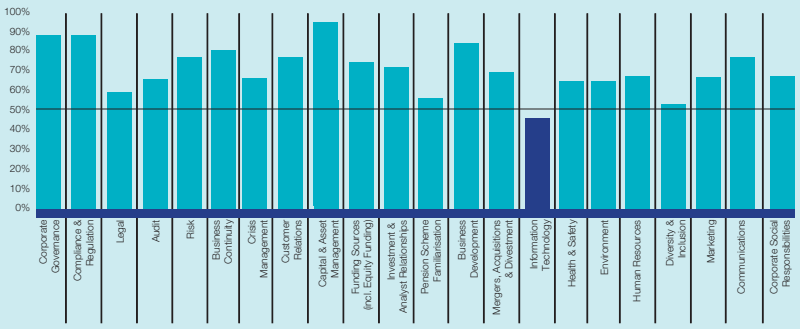
Formal performance reviews were carried out at the end of 2021 and you can read about the process and results on pages 98 to 101.

In addition to the performance reviews outlined above, the Committee reviewed the assessment of the Board's knowledge and experience, technical skills and understanding of the Henry Boot culture and behaviours. Following an in-depth review of the skills in 2020 as detailed in last year's report, the results were re-examined and assessed for 2021 in light of the Group's current and future strategic direction. The Committee also considered the necessary skills and experience for the new Responsible Business Committee.

KNOWLEDGE AND EXPERIENCE



TECHNICAL SKILLS



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

For the scores that were at or below the mid-point of the 'Good' ranking, the Committee considered four potential courses of action:

- Do nothing.
- Buy in expertise (short term, targeted).
- Build expertise from within.
- Recruit expertise.

Actions were agreed and, overall, the Committee felt that there were no significant areas of concern. The Committee's view was that the low scores in these areas represented less of an issue as to their ability to challenge practices throughout the Group and it felt confident that it could assess and identify areas of challenge. The Skills Matrix will be reassessed during 2022 and will be key to determining the role profile for recruiting new Board members as it aims to address any key gaps.

BOARD DIVERSITY POLICY

The Committee reviewed and approved its Board Diversity Policy during the year, 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. The full policy is available to view athenryboot.co.uk/our-responsibility. The Committee is ensuring that the objectives set out within the Board Diversity Policy are fully incorporated within the recruitment activity being undertaken during 2022 and beyond, and anticipates being able to make progress towards achievement of those objectives through this period of Board refresh.

Our key strategic priorities, which are centred around safety, people, growth and delivery can only be enhanced by seeking diversity of opinion which is achieved through having a varied Board membership. One of the four pillars of our Responsible Business Strategy, launched in January 2022, is dedicated to Our People. This pillar aligns with our goal to champion diversity and incorporates the strategic objectives of our Group-wide People Strategy and EDI Strategy (see page 55 for more information).

CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

Nomination Committee Report

Objective	Progress against objective	Status
1 The Board will 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.	Detailed review of effectiveness undertaken confirming that the Board is adequately resourced and performing well.	
2 The Board has set a target to meet the objective of the Hampton Alexander Review, in that at least 33% of our Board members are women, provided that this is consistent with the prevailing skills and diversity requirements of the Group as and when seeking to appoint a new Director to the Board. It is recognised that there will be periods of change on the Board and that this number may be smaller for periods of time while the Board is refreshed; however, it is our longer-term intention to achieve this target.	At least 33% female representation remains our goal but currently stands at 14% (1 out of 7). As a signal of our commitment, we have engaged Women on Boards as a joint recruitment partner alongside Norman Broadbent to maximise the diversity included in our long and short lists. We are fully committed to achieving and exceeding this goal with our Non-executive Director succession planning and Group-wide diversity initiatives.	
3 The Board has set a target to meet the objectives of the Parker Review for at least one Black, Asian and Minority Ethnic (B.A.M.E) Board member, provided that this is consistent with the prevailing skills and diversity of the Group as and when seeking to appoint a new Director to the Board. It is recognised that there will be periods of change on the Board and that this target is reliant upon the Board being refreshed; however, it is our longer-term intention to achieve this target.	We currently have no B.A.M.E members on the Board. As above, it is our intention to achieve this objective over the next rounds of recruitment and as we progress our EDI Strategy.	
4 The Board will consider candidates for appointment as Non-executive Directors from a wider pool including those with little or no previous FTSE Board experience.	We are consciously working with our recruitment partners to ensure that briefs for Non-executive Director appointments encourage diverse candidates. Previous FTSE experience is not a specified requirement as we would like to attract a broad pool of applicants.	
5 The Board will work with external recruitment consultants to provide support for Board appointments and will ensure that Non-executive Director 'long lists' include both women and B.A.M.E candidates.	This year we have improved our approach to diverse recruitment and will work with external partners for upcoming Board appointments. As previously discussed on page 103, we did not engage an external recruiter for the appointment of the new Chair. This was a considered decision to prioritise the continuity of the Board as Jamie Boot, a major shareholder and Boot family member, is due to retire after over 36 years as a Director.	

	Objective	Progress against objective	Status
6	The Board (in conjunction with the Committee and the Responsible Business Committee) will support and monitor Group activities to increase the percentage of senior management roles held by women and other under-represented groups across the Group. Activities may include, but not be limited to, the hiring of diverse external senior managers and internal promotion activity but also continued emphasis on diverse pipeline, graduate and apprentice recruitment to support this objective long term.	Through a series of peer sharing forums and information exchanges, led by our HR team, we have worked to elevate the built environment and real estate as a positive career option for women and under-represented groups. Whilst there is still more to do in this area, the intent to develop a pipeline of talent for the Group, which meets our diversity aspirations, is crucial. The Directors have recently approved vastly improved family leave policies, as well as the introduction of new policies aimed at improving the experience for women at work, such as our Menopause Policy.	
7	The Committee (together with the Responsible Business Committee), on behalf of the Board, will monitor, challenge and support internally set targets for diversity and inclusion at all levels across the organisation.	Phase 2 of the Responsible Business Strategy launched in January 2022 and includes People-related targets. The Strategy was reviewed by the Responsible Business Committee and approved by the Board. ESG-related targets now also form 25% of the personal objective element of the Annual Bonus award for Executive Directors. These include quantitative targets for improving the gender mix and reducing the gender pay gap.	
8	The Committee (together with the Responsible Business Committee), on behalf of the Board, will report annually against these objectives and other initiatives taking place within the Company which promote gender and other forms of diversity.	We have improved disclosure of progress against our targets for this year. Whilst we have not achieved all our targets yet, we remain determined to drive improvements and hope to have made further progress during 2022.	

Key:

- Objective achieved
- Objective achieved in part
- Objective remains a work in progress

The gender balance of those in senior management positions and their direct reports is shown on page 59. You can read more about our EDI Strategy and workforce diversity initiatives on page 62.

TERMS OF REFERENCE

In October 2021, 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 were proposed and approved, and the full terms of reference are available to view on the Company's website.

BOARD EFFECTIVENESS AND TIME COMMITMENT

The Board believes it has an appropriate balance of Executive and Non-executive, and independent and non-independent Directors having regard to the size and nature of the business. Further to a review by the Committee, 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. A detailed succession plan for the Non-executive Directors has been developed by the Committee and will address any gaps needed to achieve our strategic objectives.

The Committee discussed the skills, independence, length of tenure and time commitments of all the Directors and reviewed the results of the 2021 performance reviews (see page 107 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 chairship at Made Tech Group plc. Joanne's time spent at her other directorships now equates to, on average, ten days a month and, therefore, the Committee agreed that this leaves sufficient time to carry out her duties. Among other things, her experience from other listed businesses provides helpful insight into governance matters and best practice and we value her input. We do not see any indication that these other directorships negatively impact her contribution to the Group and remain wholly satisfied with her time commitments and performance.

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. All Directors, apart from the retiring Jamie Boot, will seek re-election at the upcoming AGM, biographies are shown on pages 76 to 77, and a further summary of Board roles and responsibilities can be found on our website at henryboot.co.uk.

PETER MAWSON
CHAIR OF THE NOMINATION COMMITTEE

13 April 2022

CORPORATE GOVERNANCE REPORT

AUDIT, RISK AND INTERNAL CONTROL

AUDIT AND RISK COMMITTEE REPORT

JOANNE LAKE
CHAIR OF THE AUDIT AND RISK COMMITTEE

4 4

GERALD JENNINGS
COMMITTEE MEMBER

4 4

PETER MAWSON
COMMITTEE MEMBER

4 4

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 2021.

This year, the Committee has continued to develop its relationship with EY as the external auditor of the Group, overseeing all external and internal audit activity and internal controls regarding risk. Whilst the audit environment was by no means as challenging as that experienced during 2020, there were naturally some ongoing impacts relating to the CV-19 pandemic that related to both auditing and risk-related issues, which the Committee has monitored throughout the course of the year. In addition, due to the re-tendering exercise carried out during 2021 for the Group's internal audit partner, the Committee has been involved in ensuring that the existing internal audit work has been appropriately resolved, managing the tendering process and on-boarding the new internal audit partner, as is outlined below.

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. 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.

Until early 2021, the role of internal auditor was held by BDO LLP (BDO). As we signalled during our 2020 report, we have carried out a tendering exercise during 2021 for the position of internal auditor, and from 2022 onwards our internal audit partner will be KPMG LLP (KPMG). Please pages 109 to 110 for further details of the tendering process and internal audit plan for 2022.

During 2021 the following internal audit reviews were carried out by BDO:

Topic	Outline
CYBER SECURITY AND PENETRATION TESTING CONTROLS	To provide assurance over the controls in place around cyber security, including: • Cyber security risk assessment in the Group. • Cyber security training arrangements. • The management of mobile and hardware assets. • Threat detection controls and the use of technical reviews such as penetration testing and appropriate remediation activity.
STONEBRIDGE ACCOUNTS PAYABLE	To provide independent assurance as to whether appropriate controls are in place to mitigate the key risks over the accounts payable processes in Stonebridge Homes (our jointly-owned housebuilder).
STONEBRIDGE CONTRACTORS	To assess whether appropriate controls are in place to mitigate the key risks over development contractors in Stonebridge Homes, in relation to how contractors have been appointed and subsequently managed.
CORE FINANCIAL CONTROLS	This was an advisory review over the introduction of Evision, a new finance system that has been implemented within Henry Boot PLC over the last 12 months, to provide advice over the operation of general ledger processes and controls within the new system.

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 2021, BDO carried out a follow up exercise in relation to the results of the internal audit activities from 2020 and presented a review to the Committee in February 2021, to ensure that outstanding activities had been carried out.

"WITH THE DEVELOPMENT OF POSITIVE WORKING RELATIONSHIPS WITH OUR EXTERNAL AUDITOR, AND THE INTRODUCTION OF A NEW INTERNAL AUDIT PARTNER, OVERSIGHT BY THE COMMITTEE THIS YEAR HAS BEEN ROBUST AND PRODUCTIVE."

CORPORATE GOVERNANCE REPORT

AUDIT, RISK AND INTERNAL CONTROL

Audit and Risk Committee Report

TENDERING PROCESS WAS AS FOLLOWS:

STEP 1

The Committee approached a number of firms to assess interest and capability before embarking on its tendering process.

STEP 2

The invitation to tender (ITT) was issued in June 2021, with three firms indicating a willingness to participate, one big and two mid-tier firms including the incumbent. The ITT considered experience, resourcing, overall approach to internal audit, transition, quality assurance and fees.

STEP 3

Tenderers were given access to management and relevant information during the process and written proposals were received in August 2021.

STEP 4

Presentations were made by tenderers to a panel comprising the Committee Chair, Group Finance Director, a Non-executive Director and the Group Financial Controller in late August 2021.

STEP 5

A recommendation was put to the September Audit and Risk Committee to appoint KPMG as the new internal auditor, which was approved. The decision was reached on the basis that KPMG could bring a fresh perspective, specialist insight and a deeper, more challenging review of key risks.

INTERNAL AUDIT EFFECTIVENESS REVIEW AND RE-TENDERING

The Committee determined that an assessment of the effectiveness of the internal auditor was not appropriate for 2021 due to the fact that the Committee was carrying out a tendering exercise for its internal auditor during the year, which by its nature, would assess the services provided by BDO, who were considered as part of this exercise.

An onboarding process commenced towards the end of 2021, with the key internal audit Director meeting stakeholders from the Committee and throughout the Group to understand areas of potential focus and substantive processes, in order to develop the approach to internal audit for 2022.

EXTERNAL AUDIT EFFECTIVENESS REVIEW

The full review of the effectiveness of the external auditor was carried out in July 2021, including feedback from the Committee, finance teams and Managing Directors within the Group. Within the scope of the review, the following were considered:

- Transition, planning and half year-work performed August to September 2020.
- Interim audit carried out November 2020.
- Year-end audit carried out January to April 2021.

The review highlighted a number of positive areas of feedback, including the development of strong working relationships with the external audit team, the collaborative nature of the work carried out on the going concern evaluation, and the level of challenge being fair and balanced. Particularly of note was the way in which the first full year of audit activity had been managed, such that any potentially difficult aspects of the transition to a new external audit partner were minimised. Constructive feedback had been provided to EY around some areas for improvement, which have resulted in some improved methods of engagement being put in place. It was also noted that many of these areas would naturally improve with the embedding of the external audit team and their increasing knowledge of the business, and so were not considered to be matters of any significant concern.

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 corporation taxation services for the year ended 31 December 2021.

In accordance with best practice, the Company will require its external audit partner to rotate every five years, this being the second year to which this relates. The statutory auditor signing the Audit Report for 2021 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. In addition, I have met separately with the statutory auditor on one occasion to discuss matters arising. There are no issues 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 that does not compromise the overall quality and rigour of the work undertaken.

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 42 to 49. The Committee, and ultimately the Board, oversee these processes and review the risk reporting and principal and emerging risks on an ongoing basis.

CORPORATE GOVERNANCE REPORT

AUDIT, RISK AND INTERNAL CONTROL

Audit and Risk Committee Report

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 144 to 151 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 2021, 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 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

13 April 2022

COMPLIANCE STATEMENT

During 2021, 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 2021 and the vast majority of the provisions. This is demonstrated throughout this Corporate Governance Report, and of particular note are the following issues 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.

During 2022, the Company will endeavour to collate and detail complete explanations of its position against every principle and provisions, in order to provide greater clarity to shareholders, and provide this on its website.

PROVISIONS 9 AND 19

As previously disclosed, the Chairman of the Board was not independent on appointment, having served as Group Managing Director and a member of the Board for 30 years. The Board has always supported this appointment based on the extensive knowledge of the Group and industry that Jamie Boot brings to the role and to Board discussions. As is discussed on pages 102 to 103 of the Nomination Committee Report, the role of Chair will be passing in May 2022 to Peter Mawson, an independent Non-executive Director of the Company, and at this point the Company will be in compliance with provisions 9 and 19.

PROVISION 11

For 2021, we complied with this provision. However, following the retirement of Jamie Boot from the Board on 26 May 2022, there will be a temporary imbalance in the number of independent and non-independent Directors on the Board, with only two (excluding the Chair) independent Non-executive Directors being in place, versus three non-independent Directors (Tim Robert, Darren Littlewood, and James Sykes).

As explained on page 103, this is part of a wider programme of recruitment and succession planning work that commenced during 2021, which will see the Board appoint a further independent Non-executive Director in summer 2022, and then further independent Non-executive Directors over the following years, to ensure the progressive programme of supplementing the Board with additional external Directors. As a result, there will be a short period of non-compliance with provision 11 during 2022, with activities being underway to correct this as soon as possible.

PROVISION 20

During the succession planning discussion referred to on page 103, the Board determined that its strong preference was not to appoint an external recruitment agency to source a new Chair for the Board, but to ensure continuity of experience within the Chair role by appointing one of its existing independent Non-executive Directors as the Chair. Within the longer-term succession plan, provision is made for a further Chair appointment process to commence within the next five years, which will once again enable all Non-executive Directors in post at that time to apply for the role as Chair. The Board feels strongly that it is important for its Chair to have had some knowledge and experience of the business prior to assuming the role as Chair, and accordingly has planned for this approach to maintain that continuity. An external recruitment agency has, however been appointed to carry out the search for new Non-executive Director appointments, as reported on page 103.

PROVISIONS 17, 24 AND 32

It should be noted that throughout the planned changes to the Board as detailed within the succession plan, the balance and membership of each of the Committees will remain Code compliant.

PROVISION 34

The remuneration of Non-executive Directors has been carefully considered during 2021 and, as a result, a tiered approach to remuneration for Non-executive Directors has been introduced, taking into account their differing roles and responsibilities. See page 135 for more details.

20% VOTE AGAINST – AGM

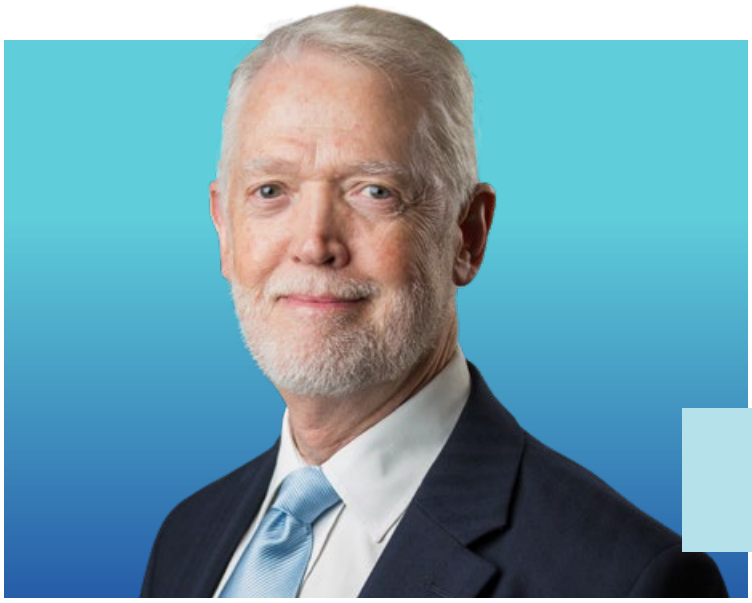
At the AGM in 2021, no resolution proposed received more than 20% of the vote against it.

AMY STANBRIDGE
COMPANY SECRETARY

13 April 2022

CORPORATE GOVERNANCE REPORT

RESPONSIBLE BUSINESS



RESPONSIBLE BUSINESS COMMITTEE REPORT

PETER MAWSON
CHAIR OF THE
RESPONSIBLE BUSINESS COMMITTEE

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JAMES SYKES
COMMITTEE MEMBER
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JOANNE LAKE
COMMITTEE MEMBER
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DARREN LITTLEWOOD
COMMITTEE MEMBER
3 3

GERALD JENNINGS
COMMITTEE MEMBER
3 3

TIM ROBERTS
COMMITTEE MEMBER
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Responsible Business Committee attendance key

Meetings attended

Eligible meetings

REVIEW OF THE YEAR

As we reported on in 2020, one of the key actions for 2021 was for the Board to establish a Responsible Business Committee, which held its first meeting in June 2021 and met three times during the year. The responsibilities of the Committee are to provide oversight and leadership on the Company's strategic approach to, and performance on, responsible business practices. It provides an independent review and oversight of the development and delivery of the Group's Responsible Business Strategy, which guides the Company's approach to delivery of long-term ESG activity and objectives.

As such, during the year, the Responsible Business Committee (the Committee) has been accountable for overseeing the delivery of the first phase of the Group's Responsible Business Strategy, 135 Henry Boot, and the development of its Phase 2 Strategy. The Committee is also aware of the interactions required in relation to incorporation of ESG-related targets into executive remuneration (in conjunction with the Remuneration Committee) and oversight of climate-related risks (along with the Audit and Risk Committee).

Those serving as members of the Committee established in 2021 were myself, Joanne Lake, Gerald Jennings, James Sykes, Tim Roberts and Darren Littlewood. Within the year, there have been no changes to the composition of the Committee.

On behalf of the Board and the Committee, as Chair of the Committee, I am pleased to present the Directors' Responsible Business Committee Report for the year ended 31 December 2021.

HENRY BOOT PLC BOARD
Responsible Business Committee

- Oversight of the Responsible Business Strategy's ESG objectives;
- Review of all sustainability and ESG reporting, including implementation of the recommendations of the Task Force on Climate-Related Financial Disclosures (see more on pages 68 to 71);
- Ensuring that the Board maintains up-to-date awareness of the Company's impact on the communities it serves, the environment it operates within and the charitable support it is able to give;
- Monitoring culture and alignment with the Company's Purpose, Vision and Values; and
- Monitoring the development of diversity across the Company and its leadership.

RESPONSIBLE BUSINESS STRATEGY

Throughout 2021, the Committee monitored the delivery of 135 Henry Boot – Phase 1 of our Responsible Business Strategy. Individual Non-executive Directors were assigned to represent key areas of the 135 Henry Boot strategy – with myself being sponsor of the NZC Framework, Joanne Lake sponsoring our EDI Strategy and Gerald Jennings sponsoring the Community Partnership Plan.

In September 2021, the Committee supported the process of stakeholder mapping ahead of the materiality assessment undertaken during the development of the Responsible Business Strategy. The materiality assessment found us engaging with selected stakeholders to understand the issues they thought were

the most material when considering how our business generates positive impact and social value and which of the United Nations Sustainable Development Goals (UN SDGs) our business could most positively impact. We conducted a Responsible Business Survey among a representative sample of our people, customers, suppliers, advisers, professional membership bodies, charity partners, education partners and community partners which asked them to rank a series of responsible business issues (identified by desk-based research, employee engagement and the ambitions of the UN SDGs). The Committee also participated in the Responsible Business Survey to identify the issues of highest important to the business.

The feedback from our stakeholder engagement has informed the objectives of the Strategy and our decision to focus on addressing our material issues, whilst also incorporating a progressive and ambitious approach on key areas of responsibility to ensure our approach is holistic and focused. This has then influenced the development of our Phase 2 Responsible Business Strategy, the details of which can be found on pages 66 to 67.

TERMS OF REFERENCE

During the process of establishing the Committee, it approved its terms of reference which outlined the scope of its responsibility as well as its operational procedures. The Terms of Reference are available on the Company's website.

"TO OVERSEE THE INCEPTION OF A NEW COMMITTEE AT THE HIGHEST LEVEL OF THE COMPANY, WHICH HAS RESPONSIBLE BUSINESS AS ITS SOLE FOCUS IS A PROUD AND SIGNIFICANT STEP, BOTH FOR MYSELF AND FOR THE GROUP."

SIGNIFICANT ISSUES CONSIDERED

Focus	Matters considered	Committee outcome
NET ZERO CARBON FRAMEWORK	Interaction with the Group's NZC Taskforce ensured that the NZC Framework developed and launched to the business during 2021 was overseen by the Committee.	Following the release of the NZC Framework, supported by the Committee, work continued to incorporate its aims and targets into the wider Responsible Business Strategy.
DIVERSITY AND INCLUSION	Issues such as the outcomes of the Group's EDI Steering Group and the resulting EDI Strategy, linking to the launch of the Agile Working Framework, were reviewed and overseen by the Committee.	Both the EDI Strategy and the Agile Working Framework were launched to the business during 2021 and remain under consideration by the Committee for further activities and support.
TCFD	The Committee considered the requirements introduced by the Taskforce on Climate-Related Financial Disclosures, and noted the progress made in relation to governance, risk and opportunity review and the introduction of metrics and targets within Phase 2 of the Responsible Business Strategy.	All outcomes were noted and approved, with a recognition that further work in relation to Greenhouse Gas emissions Scope 3 and climate scenario modelling would be required during 2022, to further strengthen the link between the Responsible Business Strategy and the Group's overall business strategy. It is anticipated that over the course of 2022, the Committee will oversee the achievement of all climate-related targets and metrics (alongside those set out within the wider Responsible Business Strategy) and also implementation of any further TCFD-related activities.
COMMUNITY ENGAGEMENT	The Committee carefully considered the development of community engagement targets contained in Phase 2 of the Responsible Business Strategy. It also provided further guidance on the engagement of education partners.	Appropriate targets have been included within the Responsible Business Strategy, linking closely to the objectives and presence of the business within its environment and industry.

PETER MAWSON
CHAIR OF THE RESPONSIBLE BUSINESS COMMITTEE

13 April 2022

CORPORATE GOVERNANCE REPORT

REMUNERATION

DIRECTORS' REMUNERATION REPORT

GERALD JENNINGS
CHAIR OF THE REMUNERATION COMMITTEE

9 9

JOANNE LAKE
COMMITTEE MEMBER

9 9

PETER MAWSON
COMMITTEE MEMBER

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Remuneration Committee attendance key

Meetings attended

Eligible meetings

On behalf of the Board and the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021.

REVIEW OF THE YEAR

We were delighted to see the Remuneration Policy and Remuneration Report receive strong backing at the 2021 AGM with 98.03% and 98.97% votes for respectively. We consulted widely on the new policy and I would like to thank our major shareholders for your engagement and all shareholders for your support.

During 2021, the Committee met nine times to consider a variety of important issues and initiatives. A summary of the key activities undertaken is shown below:

Executive Directors	Senior Management	Workforce	Governance
Approve FY22 salaries. Approve FY20 Annual Bonus (using downward discretion) and set appropriately stretching targets for FY21 Annual Bonus. Approve 2021 LTIP Grant and 2018 LTIP Vesting. Approval of alignment of pension contribution to 8% in line with the workforce as part of new policy.	Approve FY22 salaries including for the two new Executive Committee members. Approval of FY20 Annual Bonus and set targets for FY21 Annual Bonus. Approval of 2021 LTIP Grant and 2018 LTIP Vesting. Benchmark of packages for Executive Committee members.	Review average salary increase for FY22 and review interim pay increases during FY21. Review workforce annual bonus/profit share budget. Oversee the review of wider workforce remuneration strategy review. Met with the Group Employee Forum to understand their views on reward across the Group and its link to performance and to explain how Executive pay is aligned to broader work force pay.	Formation, stakeholder consultation and approval of the 2021 Remuneration Policy. Approval of the Directors' Remuneration Report. Review of Committee Terms of Reference. Committee Performance Review.

OUR APPROACH TO CV-19

The Group has made a strong recovery during 2021, with performance exceeding the expectations set at the start of the year. The Committee remains mindful of the environment that the business operates in and the uncertainty that persists due to the CV-19 pandemic. Targets for variable pay were set at the start of the year and have not been adjusted. The Company has not taken direct support from the government. We have continued to support our people and there have been no redundancies related to the pandemic during 2021.

PERFORMANCE IN 2021 AND EXECUTIVE REMUNERATION OUTCOMES

Annual Bonus

The Group delivered an excellent financial performance in challenging circumstances caused by the continuing impact of the CV-19 pandemic. The FY21 profit of £35.1m exceeded the top end of the PBT target range and so the two-thirds of the bonus based on PBT performance was due to pay out in full. Of the remaining one-third, based on individual objectives, performance was, again, strong, leading to a potential pay-out of 80%. Based on the achievement of the performance conditions the overall bonus achievement was, therefore, 93.3% of maximum.

The Committee then assessed this outturn against broader performance factors, to consider whether any discretionary adjustment would be appropriate. Noting the following factors, the Committee decided to use discretion to reduce the formulaic outcome of the FY21 Annual Bonus award. You can read more about the reasons for this decision below.

Discretion Factor	Committee consideration
PBT	The PBT outturn was significantly ahead of the business plan numbers and a high bonus would have been payable even if a materially higher bonus range had been set. Countering this, the Committee reviewed the historical PBT levels and relative levels of payout and noted that 2021 PBT remained below pre-CV-19 levels.
SHAREHOLDER EXPERIENCE	Considered the dividend, which has increased by 10% since FY20 but still remains below pre-CV-19 levels, and the share price, which has remained relatively stable over the past 12 months.
EMPLOYEE EXPERIENCE	Considered alignment with the annual bonuses and profit share award for our people and the proportionate pay-out is broadly consistent with their bonuses. More generally, the Committee noted that there had been no significant redundancies during the year.
MARKET SENTIMENT	Discussed the expectations and views of other stakeholders.
EXTERNAL FACTORS	Considered whether there were any external factors that had a significant impact on the results and were outside of management control, e.g. a change in accounting standards, revised government policy, increase in property valuations. These were not considered to be a factor.
WIDER COMPANY PERFORMANCE	Discussed the overall annual performance as a responsible business e.g. whether there had been any significant health and safety incidents or reputational damage etc, and noted that there had been strong performance in this regard.
TOTAL REWARD PICTURE	Reviewed the overall remuneration position, noting that the LTIP payout for performance over the three years to FY21 would be low and noting that the Committee had used discretion to reduce the bonus outcome in FY20.
GOVERNMENT SUPPORT	Noted that no government support had been received during the year.

Taking into account the above factors, the Committee recognised that there had been strong underlying performance, but chose to override the formulaic award outturn of 93.3% of maximum and reduce this by 10% to 83.3% of maximum, equating to a bonus of 100% salary for both Executive Directors. One-third of the bonus is deferred in shares and held for three years.

CORPORATE GOVERNANCE REPORT

REMUNERATION

Directors' Remuneration Report

LTIP AWARD FOR PERFORMANCE PERIOD FY19-21

The targets for the 2019 LTIP awards were set before the pandemic and given the circumstances, have proved difficult to achieve. The award will not pay out under the EPS or TSR performance conditions but will pay out a small amount under the ROCE performance condition, giving rise to an overall vesting level of 10.41% of the award.

APPLICATION OF THE DIRECTORS' REMUNERATION POLICY FOR FY22

The base salary for the CEO was increased by 5% in line with the standard increase for the workforce, recognising that this would deliver a package that would be slightly below a mid-market level. The base salary for the GFD was increased from £275,000 to £300,000 in line with the policy described in prior years' Remuneration Reports, for the salary to be brought closer to a mid-market level over time. This increase was determined after considering the Group and individual performance and represents the final step in this series of increases.

The pension contribution for the GFD reduced from 20% to 8% of salary on 1 January 2022 and both Executive Directors' pensions are now aligned to the rate applying to the majority of the workforce.

The annual bonus will remain two-thirds based on stretching PBT targets, with the entire target range requiring a significant build on the FY21 outturn. The remaining one-third will be based on a range of individual operational KPIs that are key contributors to the future growth of the business. The Company's commitment to being a responsible business has strengthened throughout the year with the creation of our Responsible Business Committee. The Committee felt strongly that ESG-related objectives should be incorporated into the Executive Directors' remuneration in a meaningful way. Accordingly, the Committee agreed that 25% of the individual's Annual Bonus personal objectives would relate to ESG matters, many taken directly from our Responsible Business Strategy launched in January 2022. Where possible, the targets are quantifiable and relate to a variety of issues such as improving our gender balance within the workforce, reducing Scope 1 and 2 Greenhouse Gas emissions and reducing the gender pay gap. You can read more about the Responsible Business Strategy on pages 66 to 67 and the high-level objectives for FY22 on pages 134.

The FY22 LTIP awards will be based on the same mix of EPS, ROCE and TSR in an equal one-third split. The EPS and ROCE target ranges have been increased compared to last year and are considered to be appropriately stretching in light of the business outlook. The Committee did debate the inclusion of ESG-related metrics for the Long-Term Incentive Plan but chose to retain a mix of financial measures for the grant in 2022 and review again for 2023.

CONSIDERATION OF STAKEHOLDER VIEWS

The 2020 Group-wide Employee Engagement Survey revealed that people felt reward and performance management to be two areas that required improvement. The Group Employee Forum took this feedback, engaged with the business and developed some recommendations. The outcome of this work was presented to the Committee in October 2021 and, as a result, their views are directly shaping the workforce reward and remuneration strategy discussed further on page 124.

In my dual capacity as Committee Chair and designated Non-executive Director for workforce engagement, I also met with the Group Employee Forum at a separate session to discuss the topics below.

- The CEO and GFD's Annual Bonus FY22 personal objectives and how they flowed down to the Executive Committee and then into the businesses.
- The inclusion of ESG metrics for FY22 and their sufficiently proportionate weighting relative to the overall opportunity.
- The link between executive performance and reward and how that approach would be mirrored with the revised workforce reward and recognition strategy.
- The structure of financial versus individual performance within the Annual Bonus scheme and how a similar structure was being developed for the workforce.
- The CEO and GFD's FY21 Annual Bonus outcome and in particular why the Committee chose to use discretion.

The session was very worthwhile and it was important to highlight the key aims of our reward approach, which is consistent across the Group, irrespective of seniority. We aim to have a clear, transparent framework that links performance to reward and has an appropriate balance of short-term reward with long-term incentives.

In the lead up to the 2021 AGM, the Committee undertook extensive consultation with major family and institutional shareholders, and proxy advisers to seek their views on the proposed Remuneration Policy and its implementation as detailed in last year's report. Given the strong support received at the AGM, and with implementation continuing to be in line with the Policy, there has been more limited additional engagement with shareholders during the year on remuneration matters.

The 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.

CLOSING REMARKS

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

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

GERALD JENNINGS
CHAIR OF THE REMUNERATION COMMITTEE

13 April 2022

"BUSINESS PERFORMANCE RECOVERED VERY WELL DURING 2021 AND IS REFLECTED IN THE PAY OUTCOME FOR THE YEAR. WE HAVE SET STRETCHING GOALS FOR THE FY22 INCENTIVE PLANS INCLUDING ESG-BASED METRICS, TO STRENGTHEN THE ALIGNMENT WITH OUR WIDER STAKEHOLDERS' INTERESTS. THIS CHANGE WAS ENCOURAGED BY OUR GROUP EMPLOYEE FORUM AND WE WILL LOOK TO BUILD ON THE LINK BETWEEN OUR RESPONSIBLE BUSINESS STRATEGY AND EXECUTIVE REMUNERATION FURTHER IN FUTURE YEARS."

CORPORATE GOVERNANCE REPORT

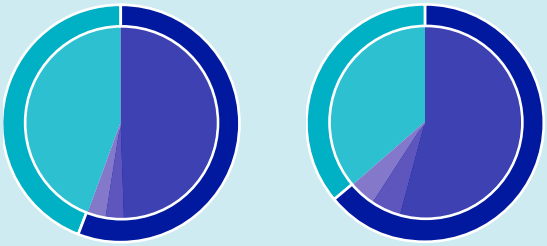
REMUNERATION

Remuneration at a glance

EXECUTIVE DIRECTORS' REMUNERATION POLICY
Elements of Executive Directors' pay

TIM ROBERTS CHIEF EXECUTIVE OFFICER

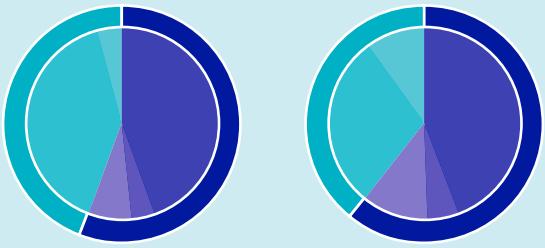
2021 2020



	2021 %	2020 %
Fixed:	**56**	64
Base salary	**88**	85
Taxable benefits	**6**	8
Pension-related benefits	**6**	7
Performance-linked:	**44**	36
Annual bonus	**100**	100
Long-term incentive plan	**–**	–

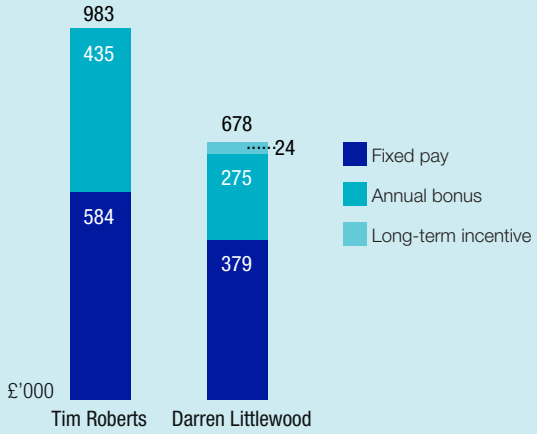
DARREN LITTLEWOOD GROUP FINANCE DIRECTOR

2021 2020



	2021 %	2020 %
Fixed:	**56**	61
Base salary	**79**	73
Taxable benefits	**7**	9
Pension-related benefits	**14**	18
Performance-linked:	**44**	39
Annual bonus	**92**	76
Long-term incentive plan	**8**	24

Single total figure of remuneration for Executive Directors for year ended 31 December 2021



Key performance indicators (KPIs) performance for year ended 31 December 2021

Annual bonus

Profit before tax

✓ £35.1m

LTIP 3-year performance

Earnings per share

✕ (22)%

Total shareholder returns

✕ 13%

Return on capital employed

– 10%

KEY

✓ At or above stretch target

— Between threshold and stretch target

✕ Below threshold target

REMUNERATION POLICY

The current Remuneration Policy was approved by shareholders at the 2021 AGM. The Committee feel the Policy remains fit for purpose for FY22 and would expect to seek approval again in 2024.

The Company's 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 our people 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 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 and to the workforce during the engagement with the Group Employee Forum.
- **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 on page 124. 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 at target performance 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 was 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.

CORPORATE GOVERNANCE REPORT

REMUNERATION

THE APPLICATION OF DIRECTORS' REMUNERATION POLICY FOR 2022

Below is a summarised version of the Policy, but you can read the full Policy, as approved by shareholders last year, on our website: henryboot.co.uk/investors/governance/remuneration-policy/

Element	Purpose and link to strategy	Key features	2022 implications
SALARY	Core element of fixed remuneration reflecting role, experience and market rates. Assists in recruitment and retention	• Reviewed annually. • Increases generally awarded in line with the workforce average unless compelling reasons for a higher rise.	• Tim Roberts 5% increase in line with standard applied to the workforce. • Darren Littlewood £25k increase as previously communicated (see page 118).
BENEFITS	Provided on a market competitive basis and assists in recruitment and retention	• Level of benefits reviewed to reflect market practice. • Include car allowance, private health insurance, permanent health insurance, death in service cover and participation in SAYE scheme.	• No change from last year.
PENSION	Contribution towards retirement income	• Choice of participating in defined contribution scheme or cash in lieu. • Aligned to the rate applying to the majority of the workforce (8%).	• Tim Roberts and Darren Littlewood receive cash in lieu of pension contribution at a level of 8% of base salary in line with the majority of employees.
ANNUAL BONUS	To incentivise the delivery of financial performance, operational targets and individual objectives over the financial year	• Targets set annually, majority of which will be financial. • Maximum bonus opportunity of 120% of salary. • No more than 10% pay-out for threshold performance and 50% pay-out for target performance. • Two-thirds paid in cash and one-third invested in shares and deferred for three years. • Committee discretion and malus clawback provision apply.	• Personal objectives set for one-third of the opportunity. ESG targets introduced for 25% of this element. • Stretching PBT target set for two-thirds of the opportunity.

Element	Purpose and link to strategy	Key features	2022 implications
LTIP	Provides a clear and strong link between Executive Director remuneration and value creation for shareholders for achieving longer-term strategic objectives	• Performance conditions and targets set annually linked to strategy/TSR. • Normal levels are 125% of salary for CEO and 100% salary for GFD (Maximum level is 175% of salary- above normal levels require major shareholder consultation). • No more than 25% vests for threshold performance. • Three-year award with two-year holding period. • Committee discretion and malus clawback provision apply.	• Expected grant in FY22 is 125% of salary for Tim Roberts and 100% salary for Darren Littlewood. • Mixture of EPS, ROCE and TSR performance criteria.
SHAREHOLDING GUIDELINES	Aligns their long-term interests to those of shareholders	• Requirement to build and maintain equivalent to 200% of base salary for Executive Directors. • Post-cessation requirement to hold lower of shares held or 200% of salary for at least two years (market purchased shares excluded).	• Current holdings for Executive Directors shown on page 131.
NON-EXECUTIVE DIRECTOR FEES	Fee levels set to assist recruitment and retention of high calibre Non-executive Directors	• Chair salary set by the Committee. • Non-executive Director fees set by the Board (excluding the Non-executive Directors). • Increases aligned generally to the workforce rate. • Non-executive Directors not involved in share schemes or pension arrangements.	• Chair increase of 5% salary in line with the standard applied to the workforce. • Non-executive Directors increase of 5% salary in line with the standard applied to the workforce. • Fees introduced for additional responsibilities in line with market practice.

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION

WORKFORCE REWARD AND RECOGNITION STRATEGY

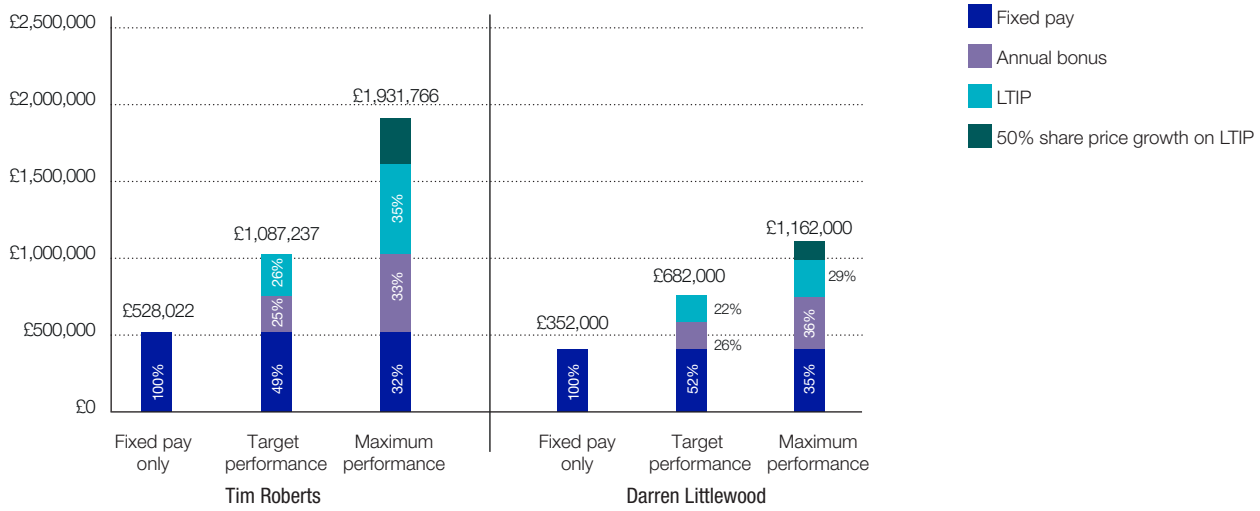
Following the work undertaken with the 2021 Remuneration Policy to simplify executive pay and ensure it was aligned with best practice, the Committee has subsequently been overseeing a reform of the workforce reward and recognition strategy, which aims to follow similar principles.

As previously mentioned on page 94, the 2020 Group-wide Employee Engagement Survey revealed that people felt reward and performance management were areas that could be improved. The Committee took this as an opportunity for the Forum to collaborate with the Committee and influence the process. The Group Employee Forum engaged with the business to understand the reasons behind the results and formulate recommendations. The outcome of this work was presented to the Committee during 2021 and, as a result, their views are directly shaping the workforce reward and recognition strategy.

The review, led by the Executive Committee and external consultants Korn Ferry, aims to create a clearer link between performance and reward and standardise the Group's approach to the reward and remuneration of its people. The Committee approved the reward principles, the general approach and the timeline and will monitor its implementation, whilst continuing to seek feedback from the workforce at various stages.

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).



FIXED PAY ONLY	Fixed pay comprised of base pay as of 1 January 2022, benefits paid in FY21, and pension contributions in FY22.
TARGET	Fixed pay and 50% of maximum bonus and LTIP opportunity.
MAXIMUM	Fixed pay and maximum pay-out 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 base fee, plus additional responsibility fees 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/SALARY IN LIEU ON PENSION	Contribution levels will be set in line with the Company Policy. Cash alternative available if joining the pension scheme is not appropriate for the Executive Director.
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 Executive Directors 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.

CORPORATE GOVERNANCE REPORT

REMUNERATION

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 Director 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 Director 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 Director 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.

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 Director..

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 116.

EXTERNAL ADVISERS

Following a formal and robust tender process, the Committee appointed Korn Ferry as its advisers with effect from 11 June 2020. This relationship was reviewed in October 2021 and the Committee agreed to continue using their services.

During the year, the Committee received independent advice on Directors' remuneration from Korn Ferry who are a member of the Remuneration Consultants Group and adhere 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 £9,907.50. A separate team within Korn Ferry have also been engaged to support the work on the wider workforce reward and remuneration strategy. 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 20 May 2021, the resolution put to shareholders on an advisory basis to receive and approve the 2020 Directors' Remuneration Report was passed. The number of votes in favour of that resolution was 85,701,476 (98.97% of votes cast), against 887,718 (1.03% of votes cast), and withheld 2,478,575. The total number of votes cast in respect of this resolution represented 64.97% of the issued share capital.

A resolution put to shareholders on a binding basis to approve the Directors' Remuneration Policy was passed. The number of votes in favour of that resolution was 87,300,759 (98.03% of votes cast), against 1,754,384 (1.97% of votes cast), and withheld 9,626. The total number of votes cast in respect of this resolution represented 66.82% of the issued share capital.

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 2021	**Salary and fees £'000**	**Taxable benefits £'000**	**Pension-related benefits £'000**	**Total fixed £'000**	**Annual bonus[5] £'000**	**Long-term incentives[3] £'000**	**Total Variable £'000**	**Total Remuneration £'000**
Tim Roberts	**478**	**35**	**35**	**548**	**435**	**—**	**435**	**983**
Darren Littlewood	**300**	**28**	**51**	**379**	**275**	**24**	**299**	**678**
Jamie Boot	**91**	**1**	**—**	**92**	**—**	**—**	**—**	**92**
James Sykes	**48**	**—**	**—**	**48**	**—**	**—**	**—**	**48**
Joanne Lake	**48**	**—**	**—**	**48**	**—**	**—**	**—**	**48**
Gerald Jennings	**48**	**—**	**—**	**48**	**—**	**—**	**—**	**48**
Peter Mawson	**48**	**—**	**—**	**48**	**—**	**—**	**—**	**48**
	1,061	**64**	**86**	**1,211**	**710**	**24**	**734**	**1,945**

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 £'000	Total Variable £'000	Total Remuneration £'000
Tim Roberts	387	35	34	456	259	—	259	715
John Sutcliffe[4]	151	15	33	199	—	65	65	264
Darren Littlewood	221	28	54	303	147	53	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

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 The value of long-term incentives has been calculated based on the average share price for the period 1 October to 31 December 2021 of £2.7799. No part of the award is currently attributable to share price appreciation. No discretion was applied.

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 A third of this after payment is then invested in shares given it is a term of the bonus.

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 are not pensionable.

CORPORATE GOVERNANCE REPORT

REMUNERATION

The information in the single total figure of remuneration in the table on page 120 is derived from the following:

SALARY OR FEES	The amount of salary or fees received in the year (including the amount waived during 2020 in relation to the CV-19 pandemic repaid in 2021).
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 117 and 129.
LONG-TERM INCENTIVES	The value of LTIP awards 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. (Both will receive 8% of salary for FY22.)

INDIVIDUAL ELEMENTS OF REMUNERATION

2021 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, market expectations and previous years' profits.

	Profit Before Tax			
	Threshold	Target	Maximum	Actual achieved
Profit (£m)	£24.5m	£27.3m	£30.0m	£35.1m
% of salary payable under bonus (out of 80% of salary)	10%	40%	80%	80%

The Remuneration Committee also evaluated the performance of the Executive Directors against their 2021 personal objective. The proportion of objectives achieved was assessed as follows:

2021 personal objectives – Tim Roberts

Objective	Details	Performance on objective	Score
1	Reviewing and develop Group strategy, identifying and implementing strategic smart objectives taking account of risk.	**Strong:** Prudent deployment of capital into growth areas, closure of the DB pension scheme for active members. Targets embedded to encourage synergies and collaboration.	13/15
2	Communicating the Group's strategy, vision and values both internally and externally.	**Strong:** Greatly improved employee communications, good feedback on external communication of strategy.	3/4
3	Develop senior leadership team and review Group remuneration.	**Strong:** Enhanced ExCo with good succession process, new appointees and enhanced training and development. Successful employee-wide remuneration review.	3/4
4	Lead good health and safety practices around the Group to avoid any major health and safety incidents.	**Good:** We missed the main Group target relative to the AIR (Accident Incident Rate), we continue to set high standards for health and safety. New Group and subsidiary KPIs introduced.	2/4
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	**Good:** New IR policy successfully introduced with good broker feedback. No significant new shareholders added.	2/3
6	Develop Environmental, Social and Governance (ESG) Policy, and support legal and regulatory compliance and initiatives around the Group meeting related deadlines.	**Excellent:** ESG strategy completed ready for full launch on time for January 2022. 135 Henry Boot plan launched, including community plan, EDI Strategy and net zero 2030 policy introduced and good feedback received.	6/6
7	Promote an open, diverse and progressive organisation and reduce the gender pay gap	**Strong:** EDI Strategy launched April 2021 Further steps have been taken to promote female senior talent and to reduce the gender pay gap.	3/4
Total (out of max 40%)			32%

2021 personal objectives – Darren Littlewood

Objective	Details	Performance on objective	Score
1	Reviewing and develop Group strategy, identifying and implementing key strategic smart objectives for the Group.	**Excellent:** Renewed strategy rolled out internally and externally to all stakeholders. five-year plan for capex and focus on key markets. Closure of DB pension plan for active members. Operational efficiencies delivered through the revised marketing and technology strategy.	12/14
2	Inform and develop IT strategy for each subsidiary business and the overarching Group with specific focus on innovation and technology.	**Good:** Good progress on cyber security testing. Review of core technology and applications with a roadmap to next steps. Improved financial reporting systems.	4.5/7
3	Developing strategic influence within the business and profile within the wider industry.	**Excellent:** Strong interaction and induction for new members of ExCo. Successful marketing campaign for potential investors. Strong representation through trade bodies (CBI, SBT, BITC).	2.5/3
4	Developing the Finance/IT/Communication team's profile and skillsets, developing their integration across the Group.	**Strong:** Strengthened further internal and external audit process. Strong interaction with Divisions on financial strategy and reporting.	3/4
5	Management and development of financial reporting within each business, to the Board and to the investor community.	**Strong:** Have developed the equity narrative further to make the business as attractive as possible to potential investors, albeit recognising liquidity constraints due to a large group of long-standing and supportive shareholders.	3/4
6	Undertake a review of internal audit following the three-year BDO programme and successful transitioning of the external audit from PWC to EY.	**Excellent:** Reviewed internal audit and after a tender process appointed KPMG to replace BDO. More refined internal audit programme. Review of EY as external auditor following first year of audit.	3/3
7	Support the development of an Environmental, Social and Governance (ESG) Policy.	**Excellent:** ESG strategy completed ready for full launch on time for 1 January 2022. 135 Henry Boot plan launched, including community plan, EDI Strategy and net zero 2030 policy introduced and good feedback received.	4/5
Total (out of max 40%)			32%

As detailed in the Chair's review on page 117, 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.

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	80%	32%	112%	£483,676	£434,765
Darren Littlewood	80%	32%	112%	£308,000	£275,000

CORPORATE GOVERNANCE REPORT

REMUNERATION

LONG-TERM INCENTIVE PLAN (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2019, based on performance for the years 2019, 2020 and 2021. 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.	(22%)	—
ROCE	33.3%	10%	13%	10.25%	10.41%
TSR[1]	33.4%	Median TSR: 27%	Upper quartile TSR: 61%	Below median TSR: 13%	—
Total vesting (out of 100%)					**10.41%**

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 23 June 2021. 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 level of 125% of salary for the CEO and 100% of salary for the GFD:

	Type of award	% of salary	Number of shares	Face value of grant at £2.6267 per share	% of award vesting at threshold
Tim Roberts	LTIP – nil cost options	125%	206,899	£543,461.03	25%
Darren Littlewood	LTIP – nil cost options	100%	104,695	£275,002.36	25%

The awards are subject to the following performance conditions, which will be measured over the three-year period ending 31 December 2023:

	% linked to award	Threshold (25% of max)	Maximum (100% of max)
EPS growth	33.3	22p	28p
Return on Capital Employed	33.3	Average three-year ROCE of 9%	Average three-year ROCE of 12% or more
TSR	33.4	TSR at median compared to the 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 2021 was £4,000. He elected to receive a salary supplement in lieu of the employer contributions, which amounted to £51,000, 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 has now reduced to 8% of salary with effect from 1 January 2022, in line with the majority of the workforce rate.

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 national leaving work age is currently 65.

PAYMENTS TO PAST DIRECTORS

The only payment to a past Director during the year, in respect of services provided to the Company as a Director, was in relation to LTIPs granted to John Sutcliffe in 2018. As a good leaver, the number of shares available to vest was 25,845 shares, having been prorated for his time in employment. This equated to a market valuation on exercise of £71,856.21.

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 2021. The Executive Directors are subject to a shareholding requirement of 200% of salary under the Remuneration Policy.

	Number of ordinary shares held	**LTIPs subject to performance measures**	**Total**	**Number of ordinary shares as a % of salary or fees**	**Total share interests as a % of salary or fees**
Jamie Boot[1]	5,665,002	—	5,665,002	16,823.42%	16,823.42%
Tim Roberts	279,067	374,938	654,005	173.61%	406.87%
Darren Littlewood	205,404	284,906	490,310	194.45%	464.16%
James Sykes	20,000	—	20,000	112.19%	112.19%
Joanne Lake	10,710	—	10,710	54.68%	54.68%
Gerald Jennings	19,900	—	19,900	95.58%	95.58%
Peter Mawson	13,200	—	13,200	60.83%	60.83%

1 Jamie Boot also holds 14,753 preference shares.

The share price at 31 December 2021 was 284p. The salary used for this calculation is that which commences on 1 January 2022.

Between 31 December 2021 and 31 March 2022, being a date not more than one month prior to the date of the Notice of the AGM, Tim Roberts purchased 24,191 ordinary shares and Darren Littlewood purchased 15,301 ordinary shares in relation to the FY21 Annual Bonus award where one third of the bonus amount after tax was used to purchase shares. There were no other changes in the beneficial interests of any of the current Directors during this period.

	Plan	Date of grant	Market price at date of grant	At 1 January 2021	Grant during the year	Exercised during the year	Lapsed during the year	**At 31 December 2021**	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	—
	LTIP	23/06/2021	262.67p	—	206,899	—	—	**206,899**	23/06/2024	—
				168,039	206,899	—	—	**374,938**		—
Darren Littlewood	LTIP	25/04/2018	294.33p	67,950	—	18,897	49,053	**—**	25/04/2021	52,539
	LTIP	30/04/2019	272.33p	82,619	—	—	—	**82,619**	30/04/2022	—
	LTIP	22/06/2020	256.17p	97,592	—	—	—	**97,592**	22/06/2023	—
	LTIP	23/06/2021	262.67p	–	104,695	—	—	**104,695**	23/06/2024	
				248,161	104,695	18,897	49,053	**284,906**		52,539

SHARESAVE PLAN

	Plan	At 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year[1]	**At 31 December 2021**	Exercise price	Date from which exercisable	Expiry date
Tim Roberts	2010	7,594	—	—	7,594	**—**	237p	01/12/2023	01/06/2024
	2020	—	8,000	—	—	**8,000**	225p	01/12/2024	01/06/2025

	Plan	At 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year[1]	**At 31 December 2021**	Exercise price	Date from which exercisable	Expiry date
Darren Littlewood	2020	—	8,000	—	—	**8,000**	225p	01/12/2024	01/06/2025

Options cancelled during the year and savings withdrawn.

SHARE PRICE

The middle market price for the Company's shares at 31 December 2021 was 284p and the range of prices during the year was 252p to 292p.

CORPORATE GOVERNANCE REPORT

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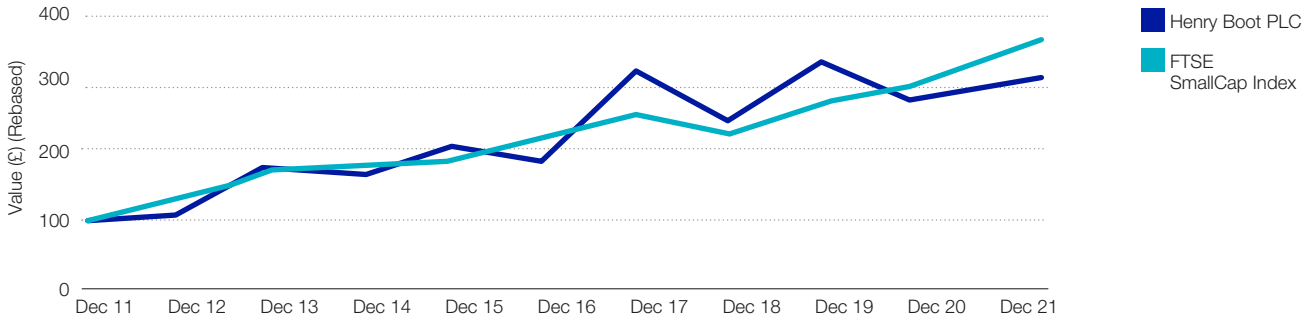
TEN-YEAR TSR PERFORMANCE GRAPH

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.



Source: Datastream (Thomson Reuters)

CEO REMUNERATION FOR THE PREVIOUS TEN YEARS

Year		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Total Remuneration	(£'000)	842	962	1,054	1,000	981	1,118	1,277	1,250	912	715	**983**
Annual bonus	(% of max)	66.7	58.3	83.3	94.5	87.8	91.1	99.2	76.8	64.8	50.0	**83.3**
LTIP	(% of max)	50	40	50	25	25	67	100	87	65	nil	**nil**

PERCENTAGE CHANGE IN DIRECTORS REMUNERATION

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 2020 to 2021. For these purposes:

	Salary/fees	**Taxable benefits**	**Annual bonus**
Chief Executive Officer	5%	0%	68%
Group Finance Director	9%	0%	87%
Jamie Boot	5%	n/a	n/a
James Sykes	5%	n/a	n/a
Joanne Lake	15.36%	n/a	n/a
Gerald Jennings	20.55%	n/a	n/a
Peter Mawson	27.81%	n/a	n/a
Workforce	9.55%	0%	48.92%

CEO PAY RATIO

The table below illustrates the ratio of the CEO's latest single total figure of remuneration versus UK full-time equivalent (FTE) employees' remuneration.

	Method	**25th percentile pay ratio**	**Median pay ratio**	**75th percentile pay ratio**
2021	**Option A**	**31:1**	**22:1**	**14:1**
2020	Option A	26:1	18:1	11.1

In line with legislation, the analysis has been calculated using Option A, based on the single total figure for the CEO on page 127 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 2020 reporting.

The pay and benefits for UK employees was calculated on 17 March 2022, using the same method as used for the single total figure. No estimates or adjustments have been made.

	25th percentile	**50th percentile**	**75th percentile**
Salary/wages	£26,000.00	£35,000.04	£51,319.92
Total remuneration	**£29,900.00**	**£41,880.04**	**£67,397.39**

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:

	2021 £'000	2020 £'000	% change
Ordinary dividends	**8,016**	7,319	10%
Profit attributable to owners of the business	**28,160**	11,921	136%
Overall expenditure on pay	**38,144**	31,125	23%

IMPLEMENTATION OF REMUNERATION POLICY IN 2022

Executive Directors

Base salary and fees

The CEO will receive a base salary increase of 5% effective 1 January 2022, in line with the standard applied to the wider workforce. The GFD will receive a salary increase of £25k (9.09%) effective 1 January 2022, this is the second 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		
	1 January 2022 £	1 January 2021 £	Change %
Tim Roberts	**456,503**	434,764	5%
Darren Littlewood	**300,000**	275,000	9.09%

Pension

Darren Littlewood's pension contribution paid as salary supplement reduced to 8% of salary on 1 January 2022, 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.

2022 bonus

The maximum bonus opportunity for Executive Directors is 120% of salary. The 2022 bonus will be based two-thirds on financial measures and one-third on strategic objectives, of which a quarter are related to ESG targets. In line with the 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 on page 134.

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION

2022 personal objectives – Tim Roberts

	Objective	Weighting (% of salary)
1	Implement Group strategy, identifying strategic smart objectives, taking account of risk	15%
2	Communicating the Group's strategy, vision and values both internally and externally	4%
3	Develop senior leadership team and review Group remuneration	4%
4	Lead good Health and Safety practices around the Group to avoid any major Health and Safety incidents	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	3%
6	Implement Environment Social and Governance (ESG) Policy, and promote an open, diverse and progressive organisation	10%
Total		40%

2022 personal objectives – Darren Littlewood

	Objective	Weighting (% of salary)
1	Implement Group strategy, identifying strategic smart objectives, taking account of risk	10%
2	Implement IT strategy with a focus on identifying business process improvements, efficiencies and systems	8%
3	Developing strategic influence within the business and profile within the wider industry	3%
4	Developing the Finance/IT/Comms team's profile and skillsets, developing their integration across the Group and encouraging the departments to become more pro-active business partners	3%
5	Management and development of financial reporting within each business, to the Board and to the investor community	3%
6	Undertake a review of internal and external audit and tender the Group's provision of tax services	3%
7	Support the implementation of the Group's Environmental, Social and Governance (ESG) Policy	10%
Total		40%

LTIP AWARDS EXPECTED TO BE GRANTED FOR THE FINANCIAL YEARS 2022–2024 IN 2022

The normal grant level is 125% of base salary for the CEO and 100% of salary for the GFD. The LTIP opportunities are designed to drive and reward management for achieving the stretching performance conditions, linked to the long-term strategy. 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.

	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 Executive Directors.

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

The EPS target range, which is entirely ahead of the range set for last year's awards and represents CAGR growth from a 2021 EPS of between 8% and 16.4%, is considered by the Committee to be stretching in light of the business plan and the market outlook.

The ROCE range has been increased slightly from the prior year, recognising the improved outlook for performance.

The detailed performance metrics, which will be measured over the three-year period to 31 December 2024, for these awards is as follows:

	Weighting	**Threshold target (25% of maximum)**	**Maximum target (100% of maximum)**
EPS in 2024	33.3%	28p	35p
Return on Capital Employed (average over three years)	33.3%	11%	14%
TSR relative 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

In line with general market practice, fees have been introduced for FY22 onwards for those Directors with additional responsibilities to reflect the increased time commitment required to effectively undertake these roles.

	Fees effective from		
	1 January 2022 £	1 January 2021 £	Change %
Chairman fee	**95,632**	91,078	5%
Base Non-executive Director fee	**50,629**	48,218	5%
Remuneration, Audit and Risk and Nomination Committee Chair fee[1]	**5,000**	–	100%
Responsible Business Committee Chair	**2,500**	–	100%
Non-executive Director designated to workforce engagement	**2,500**	–	100%
Senior Independent Director	**3,500**	–	100%

1. Fee payable to Chair of Nomination Committee whilst the Committee Chair is not also Chair of the Board.

Approved by the Board and signed on its behalf by

GERALD JENNINGS
CHAIR OF THE REMUNERATION COMMITTEE

13 April 2022

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

The Directors' Report for the financial year ended 31 December 2021 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 including the business overview for the year ended 31 December 2021 is set out on pages 01 to 71.

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 80 to 141, and also within this Directors' Report.

RESULTS FOR THE YEAR AND DIVIDENDS

The results are set out in the Consolidated Statement of Comprehensive Income on page 152. 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 3.63p per ordinary share be paid on 1 June 2022, subject to shareholder approval at the 2022 AGM to be held on 26 May 2022, to ordinary shareholders on the register at the close of business on 6 May 2022. If approved, this, together with the interim dividend of 2.42p per ordinary share paid on 15 October 2021, will make a total dividend of 6.05p per ordinary share for the year ended 31 December 2021. Further details are disclosed in note 10 to the Financial Statements on page 170.

FINANCIAL INSTRUMENTS

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 162 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 18, 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 48 to 49.

ACCOUNTABILITY AND AUDIT

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 141. The Independent Auditor's Report is given on pages 144 to 151.

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 141.

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 2021, and as at the date of this Annual Report and Financial Statements, can be found on pages 76 and 77. 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 2021, are disclosed in the Directors' Remuneration Report on page 131. Between 31 December 2021 and 31 March 2022, being a date not more than one month prior to the date of the Notice of the AGM, Tim Roberts purchased 24,191 ordinary shares and Darren Littlewood purchased 15,301 ordinary shares in relation to the FY21 Annual Bonus award where one third of the bonus amount after tax was used to purchase shares. There were no other changes in the beneficial interests of any of the current Directors during this period.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 130 to 131.

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 26 May 2022 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 full 2021 Directors' Remuneration Policy can be viewed on the website, with a summary set out on pages 122 to 123.

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. The programme of induction includes attendance at PLC Board and subsidiary meetings, meetings with key internal and external stakeholders, training on director duties 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. You can read more about training during 2021 on page 87 and engagement with our people and other stakeholders on pages 92 to 97.

Specific training requirements were considered as part of the Board's skills evaluation, details of which can be found on pages 60 to 63. General updates on regulations and best practice are provided through a mixture of briefings, Board papers and emails.

EMPLOYMENT POLICY AND INVOLVEMENT

Our People

Our people are at the heart of all that we do; our culture ensures that they can grow, thrive and succeed. Details of how we seek to promote and achieve this are set out in the Responsible Business section on pages 58 to 61, the Employee Engagement report on pages 92 to 96 and Nomination Committee Report on pages 102 to 107.

Employee engagement

Details of our employee engagement activities can be found on pages 92 to 96.

Employee communications

As a result of the CV-19 pandemic, our employee communications have become more frequent and diverse. During 2021, we have had regular communications and interactions with our people and Directors through email, live webinars and recorded video messages from the CEO. Collaboration and inclusion is encouraged; live webinars are recorded so that they can be watched on demand and Q&A sessions are included where possible. During 2021, the Group's intranet function was refreshed following feedback from the Group Employee Forum and working groups and will continue to evolve.

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 colleagues 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 29 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 people 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 50 to 51 and 92 to 96.

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 brokers or through written reports. 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 disclosure required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included within the Strategic Report on page 71. 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 2022, 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]	20,532,155	15.40
The London & Amsterdam Trust Company Limited	8,487,371	6.37
Unicorn Asset Management Limited	6,429,320	4.82
The Fulmer Charitable Trust[2]	5,739,580	4.40
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 131.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

SHARES HELD BY THE HENRY BOOT PLC EMPLOYEE TRUST

The Company has an established Employee Trust (the Trust) for the benefit of the Group's employees to satisfy existing grants by the Company under various share-based payment arrangements. Details of the Company's share-based payment arrangements are provided in note 29 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout 2021 were Jamie Boot, Tim Roberts, Darren Littlewood and Amy Stanbridge, 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 2021, the Trust has waived the right to receive from the Company all dividends (if any) in respect of the shares held within the Trust.

There were no purchases during 2021 by the Trust who does make purchases of ordinary shares in the Company from time to time in order to satisfy upcoming grants. Further details are provided in note 31 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 71 and in note 34 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 external auditors, Ernst & Young LLP, have carried out the audit of the 2021 financial results. Resolutions re-appointing Ernst & Young LLP as auditors (Resolution 10) and authorising the Audit and Risk Committee to fix their remuneration (Resolution 11) will be proposed at the AGM.

ACCOUNTABILITY AND AUDIT

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 141. The Independent Auditors' Report is given on pages 144 to 151.

ANNUAL GENERAL MEETING (AGM)

The Notice of the AGM can be found on pages 204 to 207, 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 29 to the Financial Statements. As at 31 March 2022, the ordinary shares represent 97.09% of the total issued share capital of the Company by nominal value and the preference shares represent 2.91% 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.

If the Directors wish to allot shares they must, subject to certain exceptions such as an allotment in accordance with an employees' share scheme, offer such shares to shareholders in proportion to their existing holdings in accordance with statutory pre-emption rights. A special resolution was passed at the Company's last AGM to disapply the statutory pre-emption rights provided that the aggregate nominal value of such shares does not exceed 5% of the Company's ordinary share capital. The Directors have not made use of this authority since its last AGM, but intend to renew this authority as set out below.

Further details of the shares allotted during the year can be found in note 29 to the Financial Statements.

The Notice of the AGM on pages 204 to 207 includes the following resolutions:

- An ordinary resolution (Resolution 12) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,446,152 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 31 March 2022. The authority will expire on 25 August 2023 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 13) 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 £666,922 (approximately 5% of the Company's issued ordinary share capital at 31 March 2022). The authority will expire on 25 August 2023 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 14) to renew the authority of the Company to make market purchases of up to 13,338,457 of its own issued ordinary shares (10% of the Company's issued ordinary share capital at 31 March 2022). 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, is at the discretion of the Board, 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 they are 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 26 May 2022 are set out in the Notice of AGM on pages 204 to 207.

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.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three nor more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for reappointment. The Board may appoint one or more Directors to hold any office or employment under the Company for such period (subject to the Companies Act 2006) and on such terms as it may decide and may revoke or terminate any such appointment.

At each AGM, any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM, one-third of the Directors who are subject to retirement by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office. In addition, there shall also be required to retire by rotation any Director who at any AGM of the Company shall have been a Director at each of the preceding two AGMs of the Company, provided that they were not appointed or reappointed at either such AGM and they have otherwise ceased to be a Director and been reappointed by general meeting of the Company at or since either such AGM. The Company's policy is that all of the Directors should be, and are, subject to annual re-election.

The Company may, by ordinary resolution of which special notice has been given in accordance with the Companies Act 2006, remove any Director before their period of office has expired notwithstanding anything in the Articles or in any agreement between them and the Company. A Director may also be removed from office by the service on them of a notice to that effect signed by or on behalf of all the other Directors, being not less than three in number. The office of a Director shall be vacated if:

i. they are prohibited by law from being a Director;

ii. they become bankrupt or 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

13 April 2022

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 to 21
PRINCIPAL RISKS AND IMPACT OF BUSINESS ACTIVITY		Risks and Uncertainties Audit and Risk Committee Report	42 to 49 108 to 112
NON-FINANCIAL KPIS		Strategy	28 to 29
EMPLOYEE ENGAGEMENT	Board Diversity Policy Board Stakeholder Policy	Our Responsible Business Our People Corporate Governance Report	53 to 65 58 to 61 92 to 93
HUMAN RIGHTS	Modern slavery statement and Policy Rights to Work Whistleblowing	Our People	61
SOCIAL MATTERS	Board Stakeholder Policy	Our Responsible Business	53 to 65
ANTI-BRIBERY AND CORRUPTION	Anti-bribery and Corruption Policy	Our People	61
ENVIRONMENTAL MATTERS	Board Stakeholder Policy	Our Planet	64

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 UK adopted International Financial Reporting Standards (IFRSs).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies 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 UK adopted international accounting standards 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 UK adopted international accounting standards, 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.

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 UK adopted international accounting standards 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 DIRECTOR	**DARREN LITTLEWOOD** DIRECTOR
13 April 2022	13 April 2022

Pictured: Kampus, Manchester, a 533-unit BtR scheme completed in 2021

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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 2021 which comprise:

Group	Parent Company
Group statement of financial position as at 31 December 2021	Parent Company statement of financial position as at 31 December 2021
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 37 to the financial statements including a summary of significant accounting policies
Related notes 1 to 37 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 UK adopted international accounting standards and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the group and parent 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.

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.

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:

- confirming our understanding of management's going concern assessment process, through our walkthrough of the Group's financial close process and also engaging with management early to ensure all key factors we identified were considered in their assessment.
- obtaining management's going concern assessment, including the cash forecast and forecast covenant calculation which covers the period to 31 December 2023. 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. This downside scenario models a significant curtailment of activity and is modelled on a recessionary environment similar to that experienced during the global financial crisis in 2008.
- testing the factors and assumptions included in each modelled scenario for the cash forecast and covenant calculation. We also considered whether climate change could impact the assessment. We also considered the appropriateness of the models used to calculate the cash forecasts and covenant calculations to determine if they were appropriately sophisticated to be able to make an assessment on going concern.
- considering the mitigating factors included in the cash forecasts and covenant calculations that are within control of the Group, for example, reducing uncommitted development and acquisition expenditure. This included an assessment of the Group's non-operating cash outflows.
- verifying the credit facilities available to the Group, being the secured loan facility of £75m.
- performing 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.
- reviewing 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 2023.

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 ten components. • The components where we performed full or specific audit procedures accounted for 95% of Profit before tax, 99% of Revenue and 96% of Total assets.
Key audit matters	• Valuation of contract balances and associated revenue and profit recognition. • Valuation of house building inventories and profit recognition. • Valuation of investment properties.
Materiality	• Group materiality of £1.8m which represents 5% of Profit before tax.

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 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 such as recent Internal audit results 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 61 reporting components of the Group, we selected 16 components, which represent the principal business units within the Group.

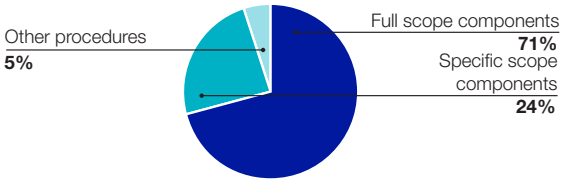
Of the 16 components selected, we performed an audit of the complete financial information of six components ("full scope components") which were selected based on their size or risk characteristics. For the remaining ten components ("specific scope components"), we performed audit procedures on specific 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 95% (2020: 94%) of the Group's Profit before tax, 99% (2020: 97%) of the Group's Revenue and 96% (2020: 93%) of the Group's Total assets. For the current year, the full scope components contributed 71% (2020: 71%) of the Group's Profit before tax, 94% (2020:92%) of the Group's Revenue and 84% (2020: 85%) of the Group's Total assets. The specific scope components contributed 24% (2020: 23%) of the Group's Profit before tax, 5% (2020: 5%) of the Group's Revenue and 12% (2020: 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 significant accounts tested for the Group.

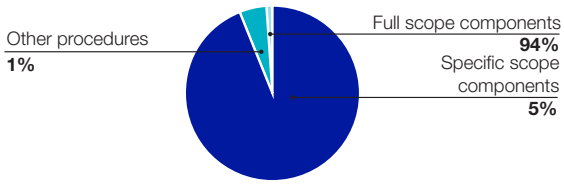
Of the remaining 45 components that together represent 5% of the Group's Profit before tax, none are individually greater than 3% of the Group's Profit before tax. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations 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 team.

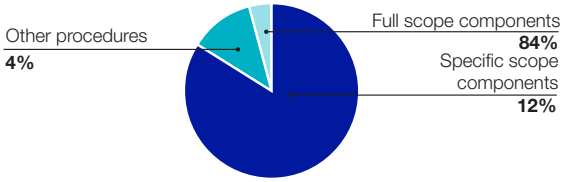
PROFIT BEFORE TAX



REVENUE



TOTAL ASSETS



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENRY BOOT PLC

CHANGES FROM THE PRIOR YEAR

The number of specific scope components increased from five in the prior year to eleven in the current year due to increased activity in subsidiaries and joint ventures.

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

CLIMATE CHANGE

There has been increasing interest from stakeholders as to how climate change will impact Henry Boot PLC. The Group has determined that the most significant future impacts from climate change on their operations will be from various factors, that are explained on page 70 in the required Task Force on Climate-related Financial Disclosures on page 44 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the Basis of Preparation note governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on page 70 have been appropriately considered in asset values, and associated disclosures. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

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 112); Accounting policies (page 158); and Note 1, 17 and 22 of the Consolidated Financial Statements (page 165, 183 and 186)* The Group has reported revenues from construction and development contracts for the year of £78.8m (2020: £123.9m). The Group has reported contract assets of £7.6m (2020: £13.3m) and contract liabilities of £5.0m (2020: £7.4m). 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 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. • 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 and 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 performed sensitivity analysis on costs to come to identify any contracts that were sensitive to both price increases and delays. • We obtained post year end contract valuation schedules to identify any favourable or unfavourable margin movements and where necessary ensured that this post year end information 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 using the costs incurred to date, and the corresponding revenue and margin recognised in the year; • We tested the amounts invoiced on contracts to underlying payment applications/certificates and to cash receipt where paid 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 a sample of the larger projects that were incomplete at the balance sheet date, we also visited the site to gain a deeper understanding of the projects and to identify contra-indicators of the stage of completion We performed full and specific scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.	Based on our audit procedures we have concluded that the contract balances, revenue 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 HOUSE BUILDING INVENTORIES *Refer to the Audit & Risk Committee Report (page 112); Accounting policies (page 161); and Note 20 of the Consolidated Financial Statements (page 185)* The Group holds house building inventories of £58.5m (2020 - £39.2m). There is a risk that the margin used to recognise profit on each development is incorrect and that the carrying value of Inventory could be subject to impairment write downs. The carrying value of Inventory is determined by reference to a number of assumptions inherent in the site forecasts, such as costs to complete and expected selling price. These are used to calculate the expected margin on each development and the cost of sale recorded when a plot is sold. There is a risk that these assumptions may be subject to management override or error and that costs incurred are not allocated to the appropriate developments.	For a sample of sites, we performed the following procedures: • We performed walkthroughs to understand the key processes and identify key controls; • We held meetings with the commercial director to assess the status and performance to date of the active sites and the basis for the sales and cost to complete assumptions made, including understanding the reasons behind any excess costs or savings recognised on the site since the initial forecast; • We verified selling price assumptions against recent market activity and considered whether recent market activity provided any contra-evidence; • For completed sites, we compared the estimated and actual costs and margin 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; • For a sample of sites where revenue was recognised in the year, we compared the gross margin to industry averages to identify sites with inconsistent margins and understood the drivers of this to assess reasonableness; • We selected a sample of costs incurred during the year (included as additions to work in progress) and agreed them to third party invoices, checking the costs had been allocated to the appropriate site and were recognised in the correct period; • For a sample of sales in the year, we checked that the proportion of expenditure recognised as a cost of sale in the year was in line with the most recent forecast margin for the site • We assessed the completeness of inventory provisions by performing sensitivity analysis on active sites and post year end sales activity; and • For a sample of land assets, we considered their location within the UK and assessed whether there was any impairment risk due to potential flooding. We performed full and specific scope audit procedures over this risk area in one location, which covered 100% of the risk amount.	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.

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 112); Accounting policies (page 160); and Note 14 of the Consolidated Financial Statements (page 176 to 180)* The Group holds Investment property of £104.2m (2020 - £82.7m). There is a risk that the carrying value of investment properties is misstated, given that the carrying value of these assets is based on a number of assumptions which contain inherent uncertainties and which require management judgement. Uncertainties in the valuations include yields,market rent, actual rent achieved and commercial property values amongst other building specific assumptions.	For a sample of investment properties, we performed the following procedures: • We performed walkthroughs to understand the key processes and identify key controls; and • For a sample of investment properties 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; validating key assumptions around rent, yields and commercial property values to supporting third party evidence or market activity, holding discussions directly with the external valuer to confirm their valuation approach, including their consideration of climate risk and considering contrary evidence. We performed full and specific scope audit procedures over this risk area in seven locations, which covered 100% of the risk amount.	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 £1.8 million (2020: £1.9 million), which is 5% (2020: 5%) of Profit before tax (2020: normalised Profit before tax). We believe that Profit before tax provides us with an appropriate basis of materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors. In the prior year, our materiality was based on the average Profit before tax over the previous three years due to the impact of COVID-19. In the current year, the impact of COVID-19 was reduced to such a level that we determined Profit before tax to be representative of the earnings of the Group.

We determined materiality for the Parent Company to be £2.0 million (2020: £1.6 million), which is 2% (2020: 2%) of equity. The increase in materiality is due to dividends received by subsidiaries in the year.

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 75% (2020: 50%) of our planning materiality, namely £1.3m (2020: £0.95m). We have set performance materiality at this percentage due to this being a recurring audit with a history of few misstatements. We previously set performance materiality at 50% as it was 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 £0.26m to £1.3m (2020: £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 £0.09m (2020: £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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENRY BOOT PLC

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 142 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 this gives rise to 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.

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

We have reviewed 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 by the Listing Rules.

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 48;
- 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 49;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 49;
- Directors' statement on fair, balanced and understandable set out on page 141;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 42 to 48;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 109 to 112; and;
- The section describing the work of the audit committee set out on pages 108 to 112.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 141, 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

Irregularities, 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 are those that relate to the reporting framework (UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006) , the relevant tax compliance regulations in the UK, employment law and building safety regulations.
- 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, as set out in the Key Audit Matters section above. 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 20 May 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 31 December 2020 to 31 December 2021.
- 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

13 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Revenue	1	**230,598**	222,411
Cost of sales		**(175,052)**	(181,944)
Gross profit		**55,546**	40,467
Administrative expenses		**(32,174)**	(28,791)
Pension expenses	4	**(6,039)**	(4,552)
		17,333	7,124
Increase in fair value of investment properties	14	**7,972**	1,266
Profit/(loss) on sale of investment properties		**1,340**	(97)
Share of profit of joint ventures and associates	16	**8,928**	1,756
Profit on disposal of joint ventures and subsidiaries	35	**—**	7,426
Operating profit	3	**35,573**	17,475
Finance income	5	**724**	721
Finance costs	6	**(1,155)**	(1,117)
Profit before tax		**35,142**	17,079
Tax	7	**(4,482)**	(3,354)
Profit for the year from continuing operations		**30,660**	13,725
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	**—**	(651)
Deferred tax on property revaluations		**(282)**	—
Actuarial gain/(loss) on defined benefit pension scheme	27	**23,297**	(15,713)
Deferred tax on actuarial (gain)/loss	19	**(4,840)**	3,089
Total other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years		**18,175**	(13,275)
Total comprehensive income for the year		**48,835**	450
Profit for the year attributable to:			
Owners of the Parent Company		**28,160**	11,921
Non-controlling interests		**2,500**	1,804
		30,660	13,725
Total comprehensive income attributable to:			
Owners of the Parent Company		**46,335**	(1,354)
Non-controlling interests		**2,500**	1,804
		48,835	450
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**21.2p**	9.0p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**20.9p**	8.9p

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group 2021 £'000	Group 2020 £'000	Parent Company 2021 £'000	Parent Company 2020 £'000
Assets					
Non-current assets					
Intangible assets	11	**3,716**	4,318	**—**	—
Property, plant and equipment	12	**26,349**	23,818	**317**	182
Right-of-use assets	13	**1,581**	2,110	**76**	137
Investment properties	14	**104,177**	82,723	**—**	—
Investments	15	**—**	—	**37,771**	38,021
Investment in joint ventures and associates	16	**12,165**	5,840	**—**	—
Trade and other receivables	18	**13,304**	7,194	**—**	—
Deferred tax assets	19	**3,389**	7,342	**3,522**	7,347
		164,681	133,345	**41,686**	45,687
Current assets					
Inventories	20	**235,296**	200,789	**—**	—
Contract assets	17	**7,556**	13,328	**—**	—
Trade and other receivables	18	**91,359**	65,032	**204,534**	135,640
Current tax receivable		**1,828**	—	**1,551**	—
Cash		**11,116**	42,125	**2,691**	31,615
		347,155	321,274	**208,776**	167,255
Liabilities					
Current liabilities					
Trade and other payables	22	**72,155**	72,727	**86,173**	93,110
Contract liabilities	21	**5,033**	7,430	**—**	—
Current tax liabilities		**—**	1,129	**—**	386
Borrowings	25	**52,941**	2,941	**50,000**	1,421
Lease liabilities	13	**639**	603	**41**	54
Provisions	26	**5,427**	4,852	**—**	—
		136,195	89,682	**136,214**	94,971
Net current assets		**210,960**	231,592	**72,562**	72,284
Non-current liabilities					
Trade and other payables	22	**1,669**	2,346	**—**	—
Borrowings	25	**—**	9,969	**—**	—
Lease liabilities	13	**1,021**	1,613	**37**	86
Retirement benefit obligations	27	**12,228**	36,445	**12,228**	36,445
Deferred tax liability	19	**4,582**	—	**—**	—
Provisions	26	**855**	1,076	**—**	—
		20,355	51,449	**12,265**	36,531
Net assets		**355,286**	313,488	**101,983**	81,440
Equity					
Share capital	29	**13,732**	13,718	**13,732**	13,718
Property revaluation reserve	30	**2,060**	2,342	**—**	—
Retained earnings	30	**328,348**	288,514	**81,414**	61,357
Other reserves	30	**6,744**	6,404	**7,881**	7,541
Cost of shares held by ESOP trust	31	**(1,044)**	(1,176)	**(1,044)**	(1,176)
Equity attributable to owners of the Parent Company		**349,840**	309,802	**101,983**	81,440
Non-controlling interests		**5,446**	3,686	**—**	—
Total equity		**355,286**	313,488	**101,983**	81,440

The Parent Company made a profit for the year of £8,938,000 (2020: £552,000).

The Financial Statements on pages 152 to 201 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 13 April 2022.

On behalf of the Board

Tim Roberts
Director

Darren Littlewood
Director

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

		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 2020		13,717	2,993	293,593	6,390	(1,248)	315,445	3,041	318,486
Profit for the year	30	—	—	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	31	—	—	—	—	(615)	(615)	—	(615)
Share-based payments	30, 31	—	—	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
Profit for the year	30	**—**	**—**	**28,160**	**—**	**—**	**28,160**	**2,500**	**30,660**
Other comprehensive income		**—**	**(282)**	**18,457**	**—**	**—**	**18,175**	**—**	**18,175**
Total comprehensive income/ (expense)		**—**	**(282)**	**46,617**	**—**	**—**	**46,335**	**2,500**	**48,835**
Equity dividends	10	**—**	**—**	**(7,620)**	**—**	**—**	**(7,620)**	**(740)**	**(8,360)**
Proceeds from shares issued		**14**	**—**	**—**	**340**	**—**	**354**	**—**	**354**
Share-based payments	30, 31	**—**	**—**	**837**	**—**	**132**	**969**	**—**	**969**
		14	**—**	**(6,783)**	**340**	**132**	**(6,297)**	**(740)**	**(7,037)**
At 31 December 2021		**13,732**	**2,060**	**328,348**	**6,744**	**(1,044)**	**349,840**	**5,446**	**355,286**

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 2020		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	31	—	—	—	(615)	(615)
Share-based payments	31	—	(297)	—	687	390
		1	(4,961)	14	72	(4,874)
At 31 December 2020		13,718	61,357	7,541	(1,176)	81,440
Profit for the year	8	**—**	**8,938**	**—**	**—**	**8,938**
Other comprehensive income		**—**	**18,457**	**—**	**—**	**18,457**
Total comprehensive income		**—**	**27,395**	**—**	**—**	**27,395**
Equity dividends	10	**—**	**(7,620)**	**—**	**—**	**(7,620)**
Proceeds from shares issued		**14**	**—**	**340**	**—**	**354**
Share-based payments	30	**—**	**282**	**—**	**132**	**414**
		14	**(7,338)**	**340**	**132**	**(6,852)**
At 31 December 2021		**13,732**	**81,414**	**7,881**	**(1,044)**	**101,983**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Parent Company	
					Restated[1]
	Note	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Cash flows from operating activities					
Cash generated from operations	32	**(38,665)**	21,136	**(9,037)**	(2,362)
Interest paid		**(792)**	(728)	**(2,272)**	(2,232)
Tax paid		**(4,299)**	(6,597)	**(2,750)**	(4,477)
Net cash flows from operating activities		**(43,756)**	13,811	**(14,059)**	(9,071)
Cash flows from investing activities					
Purchase of intangible assets	11	**(203)**	(283)	**–**	–
Purchase of property, plant and equipment	12	**(861)**	(924)	**(280)**	(54)
Capital expenditure on investment property		**(17,317)**	(11,962)	**–**	–
Purchase of investment in associate		**(2)**	–	**–**	–
Proceeds on disposal of property, plant and equipment (excluding equipment held for hire)		**301**	279	**–**	–
Proceeds on disposal of investment properties		**6,651**	627	**–**	–
Movement in receivables from joint ventures and associates		**(12,999)**	–	**–**	–
Advances made to subsidiary undertakings		**–**	–	**(87,409)**	(22,324)
Repayments received from subsidiary undertakings		**–**	–	**15,185**	11,695
Proceeds on disposal of investment in joint ventures		**4,252**	2,798	**–**	–
Interest received		**129**	512	**4,544**	3,665
Dividends received from joint ventures and subsidiaries		**2,155**	2,200	**14,530**	7,897
Net cash flows from investing activities		**(17,894)**	(6,753)	**(53,430)**	879
Cash flows from financing activities					
Proceeds from shares issued		**354**	15	**354**	15
Purchase of treasury shares	31	**–**	(615)	**–**	(615)
Movement in payables from joint ventures and associates		**(701)**	–	**–**	–
Advances received from subsidiary undertakings		**–**	–	**5,007**	7,912
Repayments made to subsidiary undertakings		**–**	–	**(7,625)**	(499)
Repayment of borrowings		**(14,969)**	(1,942)	**(5,000)**	–
Proceeds from new borrowings		**55,000**	4,153	**55,000**	–
Principal elements of lease payments		**(683)**	(3,024)	**(130)**	(67)
Dividends paid – ordinary shares	10	**(7,599)**	(4,643)	**(7,599)**	(4,643)
– non-controlling interests		**(740)**	(1,159)	**–**	–
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**30,641**	(7,236)	**39,986**	2,082
Net decrease in cash and cash equivalents		**(31,009)**	(178)	**(27,503)**	(6,110)
Cash and cash equivalents at beginning of year		**42,125**	42,303	**30,194**	36,304
Cash and cash equivalents at end of year		**11,116**	42,125	**2,691**	30,194

1 See 'Prior year restatement - parent' on page 156.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 UK-adopted International Accounting Standards. 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.

PRIOR YEAR RESTATEMENT – PARENT

For the Parent Company only the cash flows from operating activities, investing activities and financing activities have been restated for the period ended 31 December 2020. This is due to cash flows relating to loans and advances made to subsidiary undertakings of £22.3m and associated repayments of these balances of £11.7m were incorrectly classified and presented as a net cash flow movement within operating activities, instead of as investing activities and presented on a gross basis. This has resulted in previously reported net cash flows from investing activities decreasing by £10.6m from £11.5m to £0.9m and for the increase in receivables included within operating activities to reduce by £10.6m.

In addition, loans and advances received from subsidiary undertakings of £7.9m and associated repayments of these balances of £0.5m were incorrectly classified and presented as a net cash flow movement within operating activities, instead of as financing activities and presented on a gross basis. This has resulted in previously reported net cash flows used in financing activities adjusted by £7.4m from £5.3m cash outflow to £2.1m cash inflow and increase in payables and provisions included within operating activities to decrease by £7.4m from £13.6m to £6.2m.

As a result of the above adjustments, the amounts reported in the comparative year relating to cash generated from operations (£5.5m outflows) and net cash flows from operating activities (£12.3m outflows) are adjusted by a net amount of £3.2m to £2.3m and £9.1m, respectively.

Neither of these reclassifications changes any other numbers in the remaining primary statements or notes to the financial accounts.

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 also includes direct attributable costs of investment.

GOING CONCERN

In undertaking their going concern review, which covers the period to 31 December 2023, the Directors considered the Group's principal risk areas that they consider material to the assessment of going concern. In recent years, this has focused on the impact of CV-19, a risk that continues to be managed by the Group's Business Continuity Committee despite the reduced threat level.

In the current year, the Directors have assessed the Groups speed of recovery against the back drop of significant cost inflation and interest rate rises in modelling a base case scenario, and in compiling forecasts consideration has been given to climate risk and the costs of transitioning to a low carbon economy. They have also modelled what they consider to be a severe downside scenario including a significant curtailment in activities. Construction and Development activity only takes place where contracted and likewise for Hallam Land where no sales are assumed in 2022 unless already contracted, with a c.45% reduction in sales from the base case for 2022. For Stonebridge Homes a 10% decline in house prices is assumed along with a 25% reduction in the number of plots sold and Banner Plant revenue declines c.20%. Each segment assumes a slow recovery in 2023. This downside model assumes that acquisition and development spend is restricted other than that already committed and is all consistent with previous experience in recessionary environments. Having started 2022 with net debt of £43.5m and with c.£38m net debt held by the Group, at 28 February 2022, against facilities of £75.0m the Directors have concluded that the Group is able to control the level of uncommitted expenditure while delivering contracted schemes, allowing it to retain and even improve the cash position in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Group meets its day-to-day working capital requirements through a secured loan facility. 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 and January 2022 by a further two years to 23 January 2025 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 16% reduction in revenue and near 70% reduction in PBT from our base case for 2022, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2023.

The Directors have considered the likely impacts on the business arising from the conflict in Ukraine, which has occurred subsequent to the balance sheet date and is ongoing at the date of approval of the financial statements. The Directors are satisfied that the potential economic impacts of this event, is adequately taken into account in the severe but plausible downside scenario.

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 48 to 49.

OPERATING SEGMENTS

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

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

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

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

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

- Group overheads, comprising central services, pensions, head office administration, in-house leasing and financing activities.

JOINT VENTURES AND ASSOCIATES

Joint ventures are all entities in which the Group has shared control with another entity, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Joint 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 are long-term and may not be settled in the foreseeable future. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 159 and 161 and each is interpreted by management in the light of IFRS 15 'Revenue from Contracts with Customers' and IAS 2 'Inventories'.

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

- Retirement benefit costs — the estimates used in retirement benefit costs are arrived at in conjunction with the scheme's actuary and advisers, those having the most significant impact being the liabilities discount rate, RPI and mortality rates. Note 27 to the Financial Statements gives details of the sensitivity surrounding these estimates;
- Fair value of investment properties and of Group occupied properties — the fair value of completed investment property and of Group occupied property is determined by independent valuation experts using the yield method valuation technique. The fair value of investment property under construction has been determined using the residual method by the Directors of the Company. The most significant estimates used in these valuations are rental values, yields and costs to complete. Notes 12 and 14 to the Financial Statements give details of the valuation methods used and the sensitivity surrounding these estimates. In determining fair value measurement, the impact of climate-related matters, including legislation, which may affect the fair value measurement of investment property has been considered; and
- Provisions — amounts recognised in relation to provisions are based on assumptions in respect of cost estimates, the timing of cash flows and discount rates used. Note 26 to the Financial Statements gives details of the sensitivity surrounding these estimates.

REVENUE RECOGNITION

Revenue is measured based on the consideration specified in a contract with a customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer and 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 transaction price 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 using cost incurred to date as a percentage of estimated total costs to complete. 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 (or the granting early access to housebuilders before completion), 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 29. 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.

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 four 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Critical judgements and estimates in applying IAS 2 Inventories

The following are the critical estimates 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.

Estimates in determining the carrying value of work in progress inventory – there is often estimation 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.

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 generally 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 in notes 5 and 6). 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 in notes 5 and 6); 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 26.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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 2021:

		Effective from
IFRS 16 (amended 2020)	'Covid-19-related rent concessions'	1 June 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended 2020)	'Interest rate benchmark reform'	1 January 2021
IFRS 4 (amended 2020)	'Extension of the temporary exemption from applying IFRS 9'	Immediately available

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

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 17 (issued 2017)	'Insurance Contracts'	1 January 2023
IAS 1 (amended 2020)	'Classification of liabilities as current or non-current'	1 January 2023
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)	'Implementation challenges'	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
IFRS 16 (amended 2021)	'Covid-19-related rent concessions beyond June 2021'	1 April 2021
IAS 12 (amended 2021)	'Deferred tax related to Assets and Liabilities arising from a single transaction'	1 January 2023
IFRS 17 (amended 2021)	'Initial application of IFRS 17 and IFRS 9 - comparative information'	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 2021, 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.

1. REVENUE

Analysis of the Group's revenue is as follows:

Activity in the United Kingdom	2021 £'000	Timing of revenue recognition: At a point in time £'000	Timing of revenue recognition: Over time £'000	2020 £'000	Timing of revenue recognition: At a point in time £'000	Timing of revenue recognition: Over time £'000
Construction contracts:						
– Construction[1]	**74,431**	**—**	**74,431**	90,596	—	90,596
– Property Investment and Development[2]	**4,405**	**—**	**4,405**	33,301	—	33,301
Sale of land and properties:						
– Property Investment and Development[2]	**9,622**	**9,622**	**—**	9,964	9,964	—
– Housebuilder unit sales[2]	**49,494**	**49,494**	**—**	38,222	38,222	—
– Land Promotion[3]	**58,410**	**58,410**	**—**	20,890	20,890	—
PFI concession[1]	**11,115**	**11,115**	**—**	10,868	10,868	—
Revenue from contracts with customers	**207,477**	**128,641**	**78,836**	203,841	79,944	123,897
Plant and equipment hire[1]	**17,129**			14,448		
Investment property rental income[2]	**5,772**			3,280		
Other rental income – Property Investment and Development[2]	**67**			720		
Other rental income – Land Promotion[3]	**153**			122		
	230,598			222,411		

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 £357,000 (2020: £258,000).

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.

In the prior year, the Construction segment made sales to a single external customer amounting to 22.0% of the Group's total revenue. This related to two high-value contracts which commenced in 2018 and continue through to early 2021. The segment has a number of other contracts in progress and is not reliant on any major customer individually.

The accounting policies of the reportable segments are the same as the Group's Accounting Policies. The Group's Principal Accounting Policies are described on pages 156 to 164.

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 2021

2. SEGMENT INFORMATION CONTINUED

	2021					
Revenue	**Property Investment and Development £'000**	**Land Promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	69,360	58,563	102,675	—	—	230,598
Inter-segment sales	290	—	7,606	526	(8,422)	—
Total revenue	69,650	58,563	110,281	526	(8,422)	230,598
Gross profit	14,924	23,257	17,363	52	(50)	55,546
Administrative expenses and pension	(14,959)	(5,726)	(8,401)	(9,177)	50	(38,213)
Other operating income/(expense)	18,296	(56)	—	—	—	18,240
Operating profit/(loss)	18,261	17,475	8,962	(9,125)	—	35,573
Finance income	4,538	698	765	19,060	(24,337)	724
Finance costs	(7,002)	(139)	(467)	(2,303)	8,756	(1,155)
Profit before tax	15,797	18,034	9,260	7,632	(15,581)	35,142
Tax	(2,927)	(2,244)	(1,798)	2,487	—	(4,482)
Profit for the year	12,870	15,790	7,462	10,119	(15,581)	30,660
Other information						
Capital additions	17,430	—	6,524	380	—	24,334
Depreciation of plant, property and equipment and right-of-use assets	76	10	2,864	584	—	3,534
Impairment	285	—	203	—	—	488
Amortisation of intangible assets	—	—	602	—	—	602
Increase in fair value of investment properties	(7,972)	—	—	—	—	(7,972)
Provisions	—	1,051	1,499	—	—	2,550
Pension scheme credit	—	—	—	(920)	—	(920)

	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	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)

2. SEGMENT INFORMATION CONTINUED

	2021 £'000	2020 £'000
Segment assets		
Property Investment and Development[1]	**310,421**	217,863
Land Promotion	**145,596**	151,988
Construction	**43,205**	32,447
Group overheads	**2,323**	2,854
	501,545	405,152
Unallocated assets		
Deferred tax assets	**3,389**	7,342
Current tax receivables	**1,828**	—
Cash and cash equivalents	**11,116**	42,125
Total assets	**517,878**	454,619
Segment liabilities		
Property Investment and Development	**36,169**	35,292
Land Promotion	**11,523**	11,934
Construction	**40,418**	37,554
Group overheads	**3,071**	3,651
	91,181	88,431
Unallocated liabilities		
Current tax liabilities	**—**	1,129
Deferred tax liabilities	**4,582**	—
Current lease liabilities	**639**	603
Current borrowings	**52,941**	2,941
Non-current lease liabilities	**1,021**	1,613
Non-current borrowings	**—**	9,969
Retirement benefit obligations	**12,228**	36,445
Total liabilities	**162,592**	141,131
Total net assets	**355,286**	313,488

1 Includes investment in joint ventures and associates of £12,165,000 (2020: £5,840,000).

3. OPERATING PROFIT

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

	2021 £'000	2020 £'000
Depreciation of property, plant and equipment (note 12)	**3,534**	3,585
Depreciation of right-of-use assets (note 13)	**598**	987
Impairment of goodwill included in administrative expenses (note 11)	**203**	2,218
Impairment of land and buildings included in administrative expenses (note 12)	**285**	—
Amortisation of PFI asset included in cost of sales (note 11)	**602**	570
Amortisation of capitalised letting fees (note 14)	**41**	30
Impairment losses recognised on trade receivables (note 18)	**779**	481
Low-value and short-term operating leases	**—**	68
Increase in fair value of investment property (note 14)	**(7,972)**	(1,266)
Cost of inventories recognised as expense	**80,241**	45,815
Employee costs	**38,439**	32,289
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	**12**	11
Gross profit on sale of equipment held for hire	**(981)**	(854)
Gain on sale of other property plant and equipment	**(16)**	(85)
Loss on disposal of right-of-use assets	**10**	89

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. OPERATING PROFIT CONTINUED

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

	2021 £'000	2020 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	**167**	147
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**298**	273
Total audit fees	**465**	420

4. EMPLOYEE COSTS

	Group		Parent Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Wages and salaries	**27,689**	22,837	**3,968**	3,351
Share-based payment expense	**968**	975	**413**	391
Social security costs	**3,448**	2,761	**593**	396
Defined benefit pension costs (see note 27)	**3,407**	2,160	**2,855**	(105)
Defined contribution pension costs (see note 27)	**2,521**	2,293	**316**	286
Other pension costs	**111**	99	**17**	15
	38,144	31,125	**8,162**	4,334

Included within employee costs a £820,000 debit for repayment of furlough grant income from the Government's Job Retention Scheme introduced in response to the CV-19 pandemic.

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

	2021 Number	2020 Number
Property Investment and Development	**112**	115
Land Promotion	**30**	31
Construction	**151**	184
Plant Hire	**137**	145
Parent Company	**66**	68
	496	543

5. FINANCE INCOME

	2021 £'000	2020 £'000
Interest on bank deposits	**2**	292
Interest on other loans and receivables	**127**	220
Unwinding of discounting: trade receivables	**595**	209
	724	721

6. FINANCE COSTS

	2021 £'000	2020 £'000
Interest on bank loans and overdrafts	**747**	632
Interest on other loans and payables	**59**	119
Unwinding of discounting: trade payables and borrowings	**349**	366
	1,155	1,117

7. TAX

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax on profits for the year	**2,752**	2,824
Adjustment in respect of earlier years	**(1,683)**	245
Total current tax	**1,069**	3,069
Deferred tax (note 19):		
Origination and reversal of temporary differences	**3,457**	285
Adjustment in respect of prior years	**105**	—
Impact of rate change	**(149)**	—
Total deferred tax	**3,413**	285
Total tax	**4,482**	3,354

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of UK corporation tax would increase to 25%. This new law was substantively enacted on 24 May 2021; deferred tax balances at the year end have been measured at 25% (2020: 19%), 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:

	2021 £'000	2020 £'000
Profit before tax	**35,142**	17,079

	2021 %	2020 %
Tax at the UK corporation tax rate	**19.00**	19.00
Effects of:		
Permanent differences	**0.57**	2.60
Capital gains	**(0.78)**	1.40
Tax losses for which no deferred tax asset is recognised being £nil (2020: £297,000)	**(0.09)**	(1.74)
Impact of rate differences	**(0.42)**	—
Deferred tax adjustment in respect of prior years	**0.30**	—
Corporation tax adjustment in respect of earlier years	**(4.79)**	0.33
Joint venture results reported net of tax	**(1.03)**	(1.95)
Effective tax rate	**12.76**	19.64

The tax charge in the year is lower (2020: higher) than the standard rate of corporation tax predominantly due to adjustments in respect of earlier years arising from additional loss relief on asset disposals (2020: 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).

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

	2021 £'000	2020 £'000
Deferred tax:		
– property revaluations	**(282)**	—
– actuarial (gain)/loss	**(4,840)**	3,089
Total tax recognised in other comprehensive expense	**(5,122)**	3,089

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 13 April 2022 is £8,938,000 (2020: £552,000) and includes dividends received from subsidiaries of £14,530,000 (2020: £7,897,000).

9. EARNINGS PER ORDINARY SHARE

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

	2021 £'000	2020 £'000
Profit for the year	**30,660**	13,725
Non-controlling interests	**(2,500)**	(1,804)
Preference dividend	**(21)**	(21)
	28,139	11,900

	2021 No.	2020 No.
Weighted average number of shares in issue	**133,264,346**	133,176,230
Less shares held by the ESOP on which dividends have been waived	**(439,261)**	(486,654)
Weighted average number for basic earnings per share	**132,825,085**	132,689,576
Adjustment for the effects of dilutive potential ordinary shares	**2,645,458**	690,392
Weighted average number for diluted earnings per share	**135,470,543**	133,379,968

	2021	2020
Basic earnings per share	**21.2p**	9.0p
Diluted earnings per share	**20.9p**	8.9p

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

	2021 £'000	2020 £'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 2020 of 3.30p per share (2019: 1.30p)	**4,383**	1,724
Interim dividend for the year ended 31 December 2021 of 2.42p per share (2020: 2.20p)	**3,216**	2,919
	7,620	4,664

The proposed final dividend for the year ended 31 December 2021 of 3.63p per share (2020: 3.30p) makes a total dividend for the year of 6.05p (2020: 5.50p).

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 £4,800,000.

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 £740,000 (2020: £1,159,000).

11. INTANGIBLE ASSETS

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2020	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
Additions at cost	**—**	**203**	**203**
At 31 December 2021	**4,973**	**19,176**	**24,149**
Accumulated impairment losses and amortisation			
At 1 January 2020	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
Amortisation	**—**	**602**	**602**
Impairment losses for the year	**203**	**—**	**203**
At 31 December 2021	**3,527**	**16,906**	**20,433**
Carrying amount			
At 31 December 2021	**1,446**	**2,270**	**3,716**
At 31 December 2020	1,649	2,669	4,318

The Group acquired the trade and assets of Premier Plant Tool Hire & Sales Limited on 30 March 2017. They 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 (2020: £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 £543,000 (2020: £746,000) 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 four 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 (2020: £203,000) has been recognised during the year. This reflects the fact that the PFI concession will revert to Highways England at the end of the 30-year period, at which point no goodwill should remain. There were no significant changes to these arrangements during the year.

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2021

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 2020	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
Additions at cost	**—**	**5,952**	**473**	**388**	**6,813**
Disposals	**—**	**(2,449)**	**(976)**	**(47)**	**(3,472)**
At 31 December 2021	**7,322**	**43,388**	**5,332**	**3,608**	**59,650**
Being:					
Cost	**—**	**43,388**	**5,332**	**3,608**	**52,328**
Fair value at 31 December 2021	**7,322**	**—**	**—**	**—**	**7,322**
	7,322	**43,388**	**5,332**	**3,608**	**59,650**
Accumulated depreciation and impairment					
At 1 January 2020	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
Charge for year	**—**	**2,474**	**786**	**274**	**3,534**
Impairment	**285**	**—**	**—**	**—**	**285**
Eliminated on disposals	**—**	**(2,271)**	**(692)**	**(46)**	**(3,009)**
At 31 December 2021	**712**	**26,597**	**2,936**	**3,056**	**33,301**
Carrying amount					
At 31 December 2021	**6,610**	**16,791**	**2,396**	**552**	**26,349**
At 31 December 2020	6,895	13,491	2,993	439	23,818

[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 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £3,420,000 (2020: £1,437,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2021 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 £6,610,000 (2020: £6,895,000). 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 £4,269,000 (2020: £4,554,000).

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	**2021 £'000**	2020 £'000	**Decrease in year £'000**
Freehold land	—	—	60	**60**	60	**—**
Buildings	—	—	6,550	**6,550**	6,835	**(285)**
Total fair value	—	—	6,610	**6,610**	6,895	**(285)**

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	6.17
	– low	2.34
	– high	16.25
Yield %	– weighted average	9.36
	– low	7.17
	– high	11.83

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%	355
Rental value per sq ft – increase of £1 average	1,100

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 2020	1,014
Additions	54
Disposals	—
At 31 December 2020	1,068
Additions	**280**
Disposals	**—**
At 31 December 2021	**1,347**
Accumulated depreciation	
At 1 January 2020	683
Charge for year	203
Disposals	—
At 31 December 2020	886
Charge for year	**144**
Disposals	**—**
At 31 December 2021	**1,030**
Carrying amount	
At 31 December 2021	**317**
At 31 December 2020	182

13. LEASES

	Group		Parent Company	
Right-of-use assets	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Land and buildings	**1,249**	1,655	**—**	—
Vehicles	**2**	8	**11**	48
Office equipment	**330**	447	**65**	89
	1,581	2,110	**76**	137
Lease liabilities				
Due within one year	**639**	603	**41**	54
Due after more than one year	**1,021**	1,613	**37**	86
	1,660	2,216	**78**	140
Contractual maturities of lease liabilities including future interest:				
On demand or within one year	**676**	654	**42**	57
In the second year	**447**	655	**27**	49
In the third to fifth years inclusive	**564**	901	**11**	39
In more than five years	**63**	151	**—**	—
Total contractual cash flows	**1,750**	2,361	**80**	145
Future finance charges on lease liabilities	**(90)**	(145)	**(2)**	(5)
Present value of contractual cash flows	**1,660**	2,216	**78**	140

Additions to the right-of-use assets during the 2021 financial year were £69,000 (2020: £512,000) for the Group and £65,000 (2020: £37,000) for the Parent Company.

13. LEASES CONTINUED

The statement of profit or loss shows the following amounts relating to leases:

	Group		Parent Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Depreciation charge of right-of-use assets				
Land and buildings	**470**	434	**–**	–
Equipment held for hire	**–**	436	**–**	–
Vehicles	**5**	10	**23**	32
Office equipment	**123**	107	**30**	24
	598	987	**53**	56
Interest expense (included in finance cost)	**58**	91	**3**	5

The total cash outflow for leases in 2021 was £683,000 (2020: £3,024,000) for the Group and £131,000 (2020: £67,000) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

13. LEASES CONTINUED

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). Cash outflows during the period related to these leases equal the rent expense in note 3 and are included within operating activities in the Statement of Cash Flows.

The Group as lessor

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

Future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December are as follows:

	2021 £'000	2020 £'000
Within one year	**4,048**	3,357
After one year but not more than five years	**14,512**	11,807
More than five years	**47,052**	54,286
	65,612	69,450

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	**2021 £'000**	2020 £'000	Increase/ (decrease) in year £'000
Completed investment property						
Industrial	—	—	46,796	**46,796**	31,550	15,246
Leisure	—	—	9,598	**9,598**	9,427	171
Mixed-use	—	—	7,483	**7,483**	7,260	223
Residential	—	—	4,127	**4,127**	4,106	21
Office	—	—	9,938	**9,938**	11,450	(1,512)
Retail	—	—	17,235	**17,235**	14,937	2,298
	—	—	95,177	**95,177**	78,730	16,447
Investment property under construction						
Industrial	—	—	9,000	**9,000**	1,629	7,371
Retail	—	—	—	**—**	2,364	(2,364)
	—	—	9,000	**9,000**	3,993	5,007
Total carrying amount	—	—	104,177	**104,177**	82,723	21,454

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 **Fair value hierarchy**	Industrial Level 3 £'000	Leisure Level 3 £'000	Mixed-use Level 3 £'000	Residential Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	**2021** **£'000**	2020 £'000
Carrying value								
At 1 January	31,550	9,427	7,260	4,106	11,450	14,937	**78,730**	61,764
Initial acquisition	11,268	—	—	—	—	—	**11,268**	—
Subsequent expenditure on investment property	220	—	250	—	32	—	**502**	193
Capitalised letting fees	112	—	17	—	—	—	**129**	90
Amortisation of capitalised letting fees	(17)	(15)	(7)	—	—	(2)	**(41)**	(30)
Disposals	—	—	—	(232)	—	(5,080)	**(5,312)**	(8)
Transfer from inventory	—	—	—	—	—	1,517	**1,517**	245
Transfers from investment property under construction	—	—	—	—	—	3,741	**3,741**	17,040
Increase/(decrease) in fair value in year	3,663	186	(37)	253	(1,544)	2,122	**4,643**	(564)
At 31 December	46,796	9,598	7,483	4,127	9,938	17,235	**95,177**	78,730
Adjustment in respect of tenant incentives	654	212	17	—	312	365	**1,560**	561
Market value at 31 December	47,450	9,810	7,500	4,127	10,250	17,600	**96,737**	79,291

Tenant incentives are included in trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

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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 2021 by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Valuation - Global Standards (the 'Red Book') on the basis of market value at £92,609,000 (2020: £75,185,000). 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, as incorporated within the Red Book 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 2021 has been determined by the Directors of the Company at £4,128,000 (2020: £4,106,000). 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):

		2021					
Class		**Industrial**	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£)	– weighted average	**4.44**	**15.88**	**15.26**	**–**	**26.82**	**14.57**
	– low	**0.56**	**1.75**	**7.50**	**–**	**26.50**	**8.21**
	– high	**11.00**	**45.05**	**24.65**	**–**	**27.50**	**21.40**
Yield %	– weighted average	**4.98**	**6.54**	**5.08**	**–**	**8.96**	**5.08**
	– low	**2.73**	**4.79**	**3.09**	**–**	**6.91**	**3.97**
	– high	**9.05**	**9.76**	**24.26**	**–**	**11.70**	**9.00**
% discount applied to houses held under assured tenancies		**–**	**–**	**–**	**25.00**	**–**	**–**

		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	–	–

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 2021 £'000					
	Industrial	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Yield – improvement by 0.5%	**4,519**	**719**	**377**	**—**	**668**	**1,393**
Rental value per sq ft – increase by £1 average	**11,083**	**644**	**255**	**—**	**456**	**1,378**
Tenancy discount – increase by 1%	**—**	**—**	**—**	**50**	**—**	**—**

	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	—	—

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 £5,772,000 (2020: £3,280,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £1,274,000 (2020: £608,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £162,000 (2020: £179,000).

At 31 December 2021, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £nil (2020: £310,000).

Investment property under construction

Class **Fair value hierarchy**	Industrial Level 3 £'000	Land Level 3 £'000	Retail Level 3 £'000	**2021** **£'000**	2020 £'000
Carrying value					
At 1 January	1,629	—	2,364	**3,993**	8,238
Subsequent expenditure on investment property	4,724	—	695	**5,419**	11,633
Capitalised letting fees	—	—	—	—	46
Disposals	—	—	—	—	(714)
Transfers to completed investment property	—	—	(3,741)	**(3,741)**	(17,040)
Increase in fair value in year	2,647	—	682	**3,329**	1,830
At 31 December	9,000	—	—	**9,000**	3,993
Adjustment in respect of tenant incentives	—	—	—	—	—
Market value at 31 December	9,000	—	—	**9,000**	3,993

Tenant incentives are included in trade receivables.

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14. INVESTMENT PROPERTIES CONTINUED

Investment property under construction

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

		2021	
Class		**Industrial**	**Retail**
Valuation technique		Residual	Residual
Rental value per sq ft (£)	– weighted average	**6.10**	**–**
	– low	**6.10**	**–**
	– high	**6.10**	**–**
Yield %	– weighted average	**4.1**	**–**
	– low	**4.1**	**–**
	– high	**4.1**	**–**

		2020	
Class		Industrial	Retail
Valuation technique		Residual	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

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

	Impact on valuation 2021 £'000	
	Industrial	**Retail**
Yield – improvement by 0.5%	**1,037**	**–**
Rental value per sq ft – increase by £1 average	**358**	**–**

	Impact on valuation 2020 £'000	
	Industrial	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

Investment properties under construction are developments which have been valued at 31 December 2021 at fair value by the Directors of the Company using the residual method at £9,000,000 (2020: £3,993,000). 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 2020 and 31 December 2020	38,021
Disposals	(250)
At 31 December 2021	**37,771**
Adjustments	
At 1 January 2020 and 31 December 2020	—
Reversal of provisions for losses	—
At 31 December 2021	**—**
Carrying amount	
At 31 December 2021	**37,771**
At 31 December 2020	38,021

Amounts due from and to subsidiary companies are listed in notes 18 and 22 and details of all subsidiary companies are listed in note 36. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of:

- Road Link (A69) Holdings Limited 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 66.7% owned by, and under board control of, Henry Boot Developments Limited;
- Capitol Park Property Services Limited which is 4.6% 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 36) 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

	2021			2020		
Group	**Joint ventures £'000**	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Cost						
At 1 January	**5,688**	**152**	**5,840**	6,567	67	6,634
Share of profit for the year	**9,064**	**(136)**	**8,928**	1,671	85	1,756
Dividends received	**(2,155)**	**—**	**(2,155)**	(2,200)	—	(2,200)
Additions	**—**	**2**	**2**	—	—	—
Disposals	**(432)**	**(18)**	**(450)**	(350)	—	(350)
At 31 December	**12,165**	**—**	**12,165**	5,688	152	5,840

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

	2021			2020		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Investment property	**21,676**	**—**	**21,676**	12,656	—	12,656
Current assets	**25,711**	**5,692**	**31,403**	16,611	154	16,765
Non-current assets	**1**	**7**	**8**	1	2	3
Total assets	**47,388**	**5,699**	**53,087**	29,268	156	29,424
Current liabilities	**(32,122)**	**(2,130)**	**(34,252)**	(20,321)	(4)	(20,325)
Non-current liabilities	**(3,101)**	**(3,569)**	**(6,670)**	(3,259)	—	(3,259)
Net investment	**12,165**	**—**	**12,165**	5,688	152	5,840

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16. INVESTMENT IN JOINT VENTURES AND ASSOCIATES CONTINUED

	2021			2020		
	Joint ventures £'000	**Associates £'000**	**Total £'000**	Joint ventures £'000	Associates £'000	Total £'000
Revenue	**18,944**	**53**	**18,997**	17,927	85	18,012
Administration and other expenses	**(15,388)**	**(67)**	**(15,455)**	(16,198)	—	(16,198)
Increase in fair value of investment properties	**6,970**	**—**	**6,970**	103	—	103
Operating profit	**10,526**	**(14)**	**10,512**	1,832	85	1,917
Finance costs	**(375)**	**(121)**	**(496)**	(185)	—	(185)
Profit before tax	**10,151**	**(135)**	**10,016**	1,647	85	1,732
Tax	**(1,087)**	**(1)**	**(1,088)**	24	—	24
Share of profits after tax	**9,064**	**(136)**	**8,928**	1,671	85	1,756

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

Material joint ventures and associates

The Directors considers Pennine Property Partnership LLP, Montagu 406 Regeneration LLP and Newmarket Lane Holdings Limited (Group) 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. Montagu 406 Regeneration LLP is a property development joint venture between the Group and The Mayor and Burgesses of the London Borough of Enfield. The LLP is incorporated in England and the Group has ownership of 50% of the LLP. The joint venture is accounted for using the equity method of accounting. Newmarket Lane Holdings Limited (Group) (henceforth the "NML Group") is a property development joint venture between the Group, two individual shareholders, and Hazeltime Limited. The NML Group includes three legal entities, Newmarket Lane Holdings Limited, Newmarket Lane Limited, and Newmarket Lane Management Company Limited. The NML Group is incorporated in England, and the Group has ownership of 50% of the NML Group. The joint venture is accounted for using the equity method of accounting.

The table below provides summarised financial information for Pennine Property Partnership LLP, Montagu 406 Regeneration LLP, and Newmarket Lane Holdings Limited (Group). The information disclosed reflects the amounts presented in the financial statements of Pennine Property Partnership LLP, Montagu 406 Regeneration LLP, and Newmarket Lane Holdings Limited (Group), and not the Group's share of those amounts.

Summarised balance sheet

	Pennine Property Partnership LLP		**Montagu 406 Regeneration LLP**		**Newmarket Lane Holdings Limited (Group)**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Investment properties (non-current)	**17,401**	15,045	**25,950**	7,072	**—**	—
Inventories	**141**	146	**—**	—	**19,050**	15,857
Trade and other receivables	**138**	235	**143**	—	**2,303**	120
Cash and cash equivalents	**252**	475	**—**	—	**1,850**	1,810
Trade and other payables	**(4,516)**	(4,377)	**(14,454)**	(7,077)	**(19,791)**	(17,831)
Borrowings (non-current)	**(2,590)**	(2,568)	**—**	—	**—**	—
Net assets/(liabilities)	**10,826**	8,956	**11,639**	(5)	**3,412**	(44)
Reconciliation to carrying amount:						
Opening net assets 1 January	**8,956**	10,424	**(5)**	(5)	**(24)**	404
Profit for the period	**2,920**	710	**11,644**	—	**3,455**	(448)
Other distribution	**(1,050)**	(2,178)	**—**	—	**(19)**	—
Closing net assets	**10,826**	8,956	**11,639**	(5)	**3,412**	(44)
Group's share in %	**50%**	50%	**50%**	50%	**50%**	50%
Group's share in £	**5,413**	4,478	**5,820**	(3)	**1,706**	(22)
Carrying amount	**5,413**	4,478	**5,820**	(3)	**1,706**	(22)

Summarised statement of comprehensive income

	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Revenue	**752**	745	**—**	—	**19,435**	1,524
Profit for the year	**2,920**	710	**11,644**	—	**3,455**	(448)

17. CONTRACT ASSETS

	2021 £'000	2020 £'000
Construction contracts – Construction segment	**2,291**	2,051
Construction contracts – Property Investment and Development segment	**5,265**	11,277
	7,556	13,328
Due within one year	**7,556**	13,328
Due after more than one year	**—**	—
	7,556	13,328

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 as conditional to reaching certain agreed milestone. 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 construction contract services in the property investment and development segment.

There were no significant impairment losses recognised on any contract asset in the reporting period (2020: £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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables	**69,830**	53,269	**168**	265
Loss allowance	**(1,269)**	(691)	**—**	—
Prepayments	**8,442**	4,987	**949**	891
Amounts owed by joint ventures and associates	**27,660**	14,661	**—**	—
Amounts owed by Group undertakings	**—**	—	**203,417**	134,484
	104,663	72,226	**204,534**	135,640
Due within one year	**91,359**	65,032	**204,534**	135,640
Due after more than one year	**13,304**	7,194	**—**	—
	104,663	72,226	**204,534**	135,640

Amounts due after more than one year relate to deferred consideration included in trade receivables on inventory sold. Amounts are discounted to present value and are due for payment between January 2023 and by June 2023.

Group

Movement in the trade receivables loss allowance

	2021 £'000	2020 £'000
At 1 January	**691**	724
Impairment losses recognised	**779**	481
Amounts written off as uncollectable (utilisation)	**(196)**	(214)
Amounts recovered during the year	**(5)**	—
Impairment losses reversed	**—**	(300)
At 31 December	**1,269**	691

The loss allowance as at 31 December 2021 and 31 December 2020 for trade receivables was determined as follows:

2021

	Expected loss rate %	Gross carrying amount £'000	Loss allowance £'000
0-30 days	—	63,405	31
30–60 days	0.6	2,895	18
60–90 days	2.9	548	16
90–120 days	24.2	128	31
120+ days	41.1	2,854	1,173
		69,830	1,269

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18. TRADE AND OTHER RECEIVABLES CONTINUED

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

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 include loans of £203.7m (2020: £131.3m) and are repayable on demand, unsecured and are stated net of provisions for impairment of £1,500,000 (2020: £1,584,000), of which £3,000 (2020: £3,000) has been provided in the year, £87,000 (2020: £166,000) has been recovered in the year and £nil (2020: £3,655,000) 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% (2020: 2.85%).

The Parent Company has no significantly impaired trade receivables.

Credit risk

The Group's principal financial assets are bank balances and cash, and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of 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 set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to tax levied by the same tax authority where there is an intention to settle the balances on a net basis. The amounts after offsetting are as follows:

Group	Accelerated capital allowances £'000	Property revaluations £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 1 January 2020	252	—	3,904	382	4,538
Recognised in profit or loss	(167)	—	(69)	(49)	(285)
Recognised in other comprehensive income	—	—	3,089	—	3,089
At 31 December 2020	85	—	6,924	333	7,342
Recognised in profit or loss	**(279)**	**(4,106)**	**973**	**(1)**	**(3,413)**
Recognised in other comprehensive income	**—**	**(282)**	**(4,840)**	**—**	**(5,122)**
At 31 December 2021	**(194)**	**(4,388)**	**3,057**	**332**	**(1,193)**
Deferred tax asset	**—**	**—**	**3,057**	**332**	**3,389**
Deferred tax liability	**(194)**	**(4,388)**	**—**	**—**	**(4,582)**
Parent Company					
At 1 January 2020	51	—	3,904	300	4,255
Recognised in profit or loss	17	—	(69)	55	3
Recognised in other comprehensive income	—	—	3,089	—	3,089
At 31 December 2020	68	—	6,924	355	7,347
Recognised in profit or loss	**36**	**—**	**973**	**6**	**1,015**
Recognised in other comprehensive income	**—**	**—**	**(4,840)**	**—**	**(4,840)**
At 31 December 2021	**104**	**—**	**3,057**	**361**	**3,522**
Deferred tax asset	**104**	**—**	**3,057**	**361**	**3,522**

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 £nil (2020: £1,596,000). 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 2021, the Government announced that from 1 April 2023 the main rate of UK corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. As a result deferred tax balances at the year end have been measured at 25% (2020: 19%), 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

	2021 £'000	2020 £'000
Property developments in progress	**75,161**	44,368
Housebuilder land and work in progress	**52,464**	39,192
Land held for development or sale	**47,682**	57,898
Options to purchase land	**13,558**	14,757
Planning promotion agreements	**46,431**	44,574
	235,296	200,789

Within property developments in progress £1,277,000 (2020: £909,000) 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 £1,170,000 (2020: £1,434,000) 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. CONTRACT LIABILITIES

	2021 £'000	2020 £'000
Construction contracts – Construction segment	**5,033**	7,280
Construction contracts – Property Investment and Development segment	**–**	150
	5,033	7,430
Due within one year	**5,033**	7,430

	2021 £'000	2020 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Construction contracts – Construction segment	**7,280**	9,433
Construction contracts – Property Investment and Development segment	**150**	–
Revenue recognised from performance obligations satisfied in previous periods		
Construction contracts – Construction segment	**–**	–
Construction contracts – Property Investment and Development segment	**–**	–

Contract liabilities have decreased in the year as the Group invoicing remains more closely aligned with the level of construction of works undertaken.

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22. TRADE AND OTHER PAYABLES

	Group		Parent Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade payables	**56,420**	62,076	**1,409**	1,255
Social security and other taxes	**4,119**	4,665	**572**	371
Accrued expenses	**9,441**	3,549	**1,024**	1,616
Deferred income	**3,834**	4,072	**—**	—
Amounts owed to joint venture and associates	**10**	711	**—**	—
Amounts owed to Group undertakings	**—**	—	**83,168**	89,868
	73,824	75,073	**86,173**	93,110
Due within one year	**72,155**	72,727	**86,173**	93,110
Due after more than one year	**1,669**	2,346	**—**	—
	73,824	75,073	**86,173**	93,110

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

Amounts due after more than one year include £1,669,000 (2020: £1,873,000) of deferred income and £nil (2020: £473,000) of trade payables. Included within deferred income is £1,874,000 relating to an advanced payment from Highways England (2020: £1,987,000). This is being released as revenue and interest within the income statement under the terms of the A69 Road Link contract. During the year £445,000 has been recognised as revenue and £(332,000) recognised as interest.

Parent Company

Amounts owed to Group undertakings (including loans of £81.1m (2020: £87.5m)) are repayable on demand, unsecured and bear interest at 2.85% (2020: 2.85%).

23. GOVERNMENT GRANTS

Government grants have been received in relation to the infrastructure of one of the Group's land promotions and one of the Group's property developments.

Grant income received relating to revenue grants are included within deferred income and released to the Consolidated Statement of Comprehensive Income on a systematic basis to match the costs it is intended to compensate. There are no unfulfilled conditions or contingencies attached to the grants that have been recognised.

Amounts credited to the Consolidated Statement of Comprehensive Income during the year were £723,000 (2020: £820,000).

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.

24. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and have the resources to provide returns for shareholders and benefits for other stakeholders; and
- To maximise returns to shareholders by allocating capital across our businesses based on the level of expected return and risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and cash equivalents and at 31 December 2021 this was £43.5m (2020: net cash £27.0m). Equity comprises all components of equity and at 31 December 2021 this was £355.3m (2020: £313.5m).

During 2021 the Group's strategy, was to maintain the debt to equity ratio below 30% (2020: 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 2022 the banks agreed to the Group's second request to extend the facility to 23 January 2025. The Group had drawn £50m of the facility at 31 December 2021 (2020: £nil).

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 operated comfortably within all of its requirements throughout the year and continues to do so over forecast periods.

On the 17 December 2021, the Group entered into a Receivables Purchase Agreement with HSBC Invoice Finance (UK) Limited, from which the Group can draw up to £25m on the transfer of certain deferred receivables to the bank. No amounts were drawn on the facility at the year end.

The Group's capital risk management disclosures are consistent with the parent company.

25. BORROWINGS

	Group		Parent Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Bank overdrafts	**—**	—	**—**	1,421
Bank loans	**50,000**	9,969	**50,000**	—
Government loans	**2,941**	2,941	**—**	—
	52,941	12,910	**50,000**	1,421
Due within one year	**52,941**	2,941	**50,000**	1,421
Due after one year	**—**	9,969	**—**	—
	52,941	12,910	**50,000**	1,421
Contractual maturities of borrowings, including future interest, as follows:				
On demand or within one year	**52,941**	3,195	**50,000**	1,421
In the second year	**—**	9,969	**—**	—
In the third to fifth years inclusive	**—**	—	**—**	—
	52,941	13,164	**50,000**	1,421
Due within one year	**52,941**	3,195	**50,000**	1,421
Due after one year	**—**	9,969	**—**	—
	52,941	13,164	**50,000**	1,421

The weighted average interest rates paid were as follows:

	2021 %	2020 %
Bank overdrafts	**1.24**	1.56
Bank loans – floating rate	**1.51**	—
Bank loans – floating rate (relating to Stonebridge Homes Limited)	**1.98**	2.24
Government loans	**—**	—

Bank overdrafts are repayable on demand and bank loans are drawn for periods of between one and six months.

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 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. 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 17 December 2021, the facility was settled in full with Stonebridge Homes now being funded through the Henry Boot PLC group facility.

The Group has a government loan from the Homes and Communities Agency (HCA) held at a fair value of £2,941,000 (2020: £2,941,000) (Education Campus) which was issued with a fixed level of interest of £254,000 (2020: £254,000). As a result, the Company has no exposure to interest rate changes in relation to this loan. The Company's exposure to indexation risk may result in an increase in the value of repayments, causing the loan to be settled at an earlier date.

The Government loan was received to fund specific residential construction expenditure.

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 (2020: £nil) 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.

Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Based on approximate average borrowings during 2021, a 0.5% (2020: 0.5%) change in interest rates, which the Directors consider to be a reasonably possible change, would affect profitability before tax by £82,000 (2020: £4,000).

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

At 31 December 2021, the Group had available £25,000,000 (2020: £75,000,000) undrawn committed borrowing facilities.

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26. PROVISIONS

	Land promotion £'000	Road maintenance £'000	Total £'000
At 1 January 2020	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
Additional provisions in year	**1,051**	**1,499**	**2,550**
Utilisation of provisions	**(570)**	**(1,626)**	**(2,196)**
At 31 December 2021	**4,417**	**1,865**	**6,282**
Included in current liabilities	**3,562**	**1,865**	**5,427**
Included in non-current liabilities	**855**	**—**	**855**
	4,417	**1,865**	**6,282**

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 £11,000 and £101,000 respectively (2020: £51,000 and £193,000).

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 £206,000 (2020: £171,000).

Off balance sheet arrangements

The Group is currently undertaking the infrastructure of land promotions at Bridgwater and Cranbrook, spanning 122 and 53 acres respectively (2020: 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 2022 and 2025 respectively, with costs being incurred throughout these periods.

The Group has historically disposed of 117 and 48 acres respectively (2020: 117 and 35), and has subsequently recognised provisions to the value of £4,351,000 (2020: £3,845,000), 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 £617,000 (2020: £1,369,000), has therefore not been recognised in these Financial Statements.

27. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution pension plan

The Group operates a defined contribution pension plan for all qualifying employees. The plan is administered and managed by Aviva and the Group matches member contributions, providing a minimum of 5% (2020: 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 £2,521,000 (2020: £2,293,000) 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 accrued benefits up until 19 March 2021 at which point the scheme closed to future accrual. To 19 March 2021 members accrued an annual pension of either 1/45th or 1/60th of final pensionable salary for each year of pensionable service. Increases in pensionable salary were 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.

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Up to the date of closure active members of the scheme paid contributions at the rate of either 5% or 7% of pensionable salary and the Group employers paid 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.

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 2021 by a qualified independent actuary and the next formal valuation as at 31 December 2021 is currently in progress. The figures in the following disclosure were measured using the projected unit method. The main financial assumptions used in the valuation of the liabilities of the scheme under IAS 19 are:

	2021 %	2020 %
Retail Prices Index (RPI)	**3.30**	2.80
Consumer Prices Index (CPI)	**2.70**	2.20
Pensionable salary increases	**—**	1.00
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.70**	2.20
Revaluation of deferred pensions	**2.70**	2.20
Liabilities discount rate	**2.00**	1.40

Mortality assumptions	**2021 Years**	2020 Years
Retiring today (aged 65)		
Male	**21.8**	21.8
Female	**24.1**	24.1
Retiring in 20 years (currently aged 45)		
Male	**22.8**	22.8
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) 2020 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 3.0%	Decrease by 3.0%
Liabilities discount rate	0.25%	Decrease by 4.0%	Increase by 4.3%
Rate of mortality	1 year	Increase by 4.5%	Decrease by 4.2%

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FOR THE YEAR ENDED 31 DECEMBER 2021

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

	2021 £'000	2020 £'000
Service cost:		
Current service cost	**180**	795
Ongoing scheme expenses	**502**	576
Past service cost	**2,074**	150
Net interest expense	**505**	433
Pension protection fund	**146**	206
Pension expenses recognised in profit or loss	**3,407**	2,160
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(13,239)**	(13,898)
Actuarial (gain)/loss arising from changes in demographic assumptions	**(277)**	2,265
Actuarial (gain)/loss arising from changes in financial assumptions	**(9,781)**	27,346
Actuarial (gain)/loss recognised in other comprehensive income	**(23,297)**	15,713
Total	**(19,890)**	17,873

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

	2021 £'000	2020 £'000
Present value of scheme obligations	**221,660**	235,143
Fair value of scheme assets	**(209,432)**	(198,698)
	12,228	36,445

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

	2021 £'000	2020 £'000
Non-current liabilities	**12,228**	36,445

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

	2021 £'000	2020 £'000
At 1 January	**235,143**	208,318
Current service cost	**180**	795
Interest on obligation	**4,201**	4,098
Actuarial losses	**(10,058)**	29,610
Past service cost	**2,074**	150
Benefits paid	**(9,880)**	(7,828)
At 31 December	**221,660**	235,143

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

	2021 £'000	2020 £'000
At 1 January	**198,698**	185,353
Interest income	**3,696**	3,665
Actuarial gains on scheme assets	**13,239**	13,898
Employer contributions	**4,181**	4,186
Benefits paid	**(9,880)**	(7,828)
Ongoing scheme expenses	**(502)**	(576)
At 31 December	**209,432**	198,698

The categories of plan assets are as follows:

	2021 £'000	2020 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	**47,796**	39,934
Diversified credit funds	**63,641**	62,892
Cash and net current assets	**3,222**	2,826
Unquoted investments:		
Direct lending	**22,536**	28,521
Liability driven investment	**34,369**	31,626
Collateralised loan obligations	**—**	21,608
Infrastructure	**20,101**	—
Special situations	**17,767**	11,291
At 31 December	**209,432**	198,698

The weighted average duration of the defined benefit obligation is 16 years (2020: 17 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2022 financial year is £4,300,000, being £4,300,000 payable by the Group and £nil payable by scheme members.

The Company's level of recovery plan funding to the scheme is £3,550,000 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

28. 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	2021 £'000	2020 £'000
Management charges receivable	2,456	1,963
Interest receivable	4,544	3,377
Interest payable	(1,753)	(1,802)
Rents payable	(158)	(156)
Recharge of expenses	39	51

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

Purchases of goods and services	2021 £'000	2020 £'000
Close family members of key management personnel (amounts paid for IT services)	–	49
Related companies of key management personnel (amounts paid for Non-executive Director services)	48	43

Amounts owing by related parties (note 18) or to related parties (note 22) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No significant provisions have been made for impaired receivables in respect of the amounts owed by related parties. Other than as disclosed above and in note 16, 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 Executive Committee, as presented on pages 76 to 79. They are responsible for making all of the strategic decisions of the Group and its subsidiaries, as detailed on pages 26 and 29. The remuneration of the Board of Directors is set out in the Remuneration Report on pages 116 to 135. The remuneration of the relevant eight (2020: 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'.

	2021 £'000	2020 £'000
Short-term employee benefits	1,976	1,271
Post-employment benefits	92	19
Share-based payments	23	203
	2,091	1,493

29. SHARE CAPITAL

	Authorised, allotted, issued and fully paid	
	2021 £'000	2020 £'000
400,000 5.25% cumulative preference shares of £1 each (2020: 400,000)	**400**	400
133,323,967 ordinary shares of 10p each (2020: 133,181,537)	**13,332**	13,318
	13,732	13,718

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 142,430 ordinary shares (2020: 8,935) 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 5.8%, on 3 October 2019 at a price of 224.0p at a discount of 9.7%, on 5 October 2020 at a price of 237.0p at a discount of 6.0% and on 15 October 2021 at a price of 225.0p at a discount of 20.5%. These become exercisable for a six-month period from 1 December 2021, 1 December 2022, 1 December 2023 and 1 December 2024 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.

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**
Weighted average exercise price	237p	**237p**	**243p**	**224p**	**236p**

2021

	Options outstanding at 1 January 2021	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2021**
October 2017 grant	179,553	**—**	**(84,366)**	**(95,187)**	**—**
October 2018 grant	86,499	**—**	**(13,050)**	**(17,806)**	**55,643**
October 2019 grant	734,761	**—**	**(104,709)**	**(5,712)**	**624,340**
October 2020 grant	312,039	**—**	**(102,825)**	**—**	**209,214**
October 2021 grant	—	**444,640**	**(4,000)**	**—**	**440,640**
Weighted average exercise price	236p	**225p**	**243p**	**267p**	**228p**

The weighted average share price at the date of exercise for share options exercised during the year was 278.10p (2020: 260.50p).

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FOR THE YEAR ENDED 31 DECEMBER 2021

29. SHARE CAPITAL CONTINUED

(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.

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

	2021 Number	2020 Number
Share options granted at 1 January	**1,078,207**	1,115,063
Lapses of share options in year	**(177,367)**	(176,301)
Awards of shares in year	**(53,085)**	(311,640)
Share options granted in year	**517,642**	451,085
Share options granted at 31 December	**1,365,397**	1,078,207

The weighted average share price at the date of exercise for share options exercised during the year was 278.00p (2020: 235.00p). The weighted average exercise price of all share options issued in the scheme is nil.

(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 263.0p. The seventh grant of options under the plan was made to certain employees (none of whom at the time were Directors of Group companies) on 29 September 2021 at an option price of 281.0p. There were no performance conditions imposed on either of these grants.

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**
Weighted average exercise price	267p	**263p**	**275p**	**112p**	**266p**

29. SHARE CAPITAL CONTINUED

2021

	Options outstanding at 1 January 2021	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2021**
May 2011 grant	5,000	**—**	**—**	**(5,000)**	**—**
October 2014 grant	15,000	**—**	**—**	**(5,000)**	**10,000**
October 2017 grant	130,507	**—**	**(34,298)**	**—**	**96,209**
September 2018 grant	263,565	**—**	**(43,396)**	**—**	**220,169**
October 2019 grant	437,406	**—**	**(88,779)**	**(8,420)**	**340,207**
October 2020 grant	416,316	**—**	**(65,847)**	**(566)**	**349,903**
September 2021 grant	—	**413,230**	**(8,890)**	**—**	**404,340**
Weighted average exercise price	266p	**281p**	**269p**	**198p**	**271p**

The weighted average share price at the date of exercise for share options exercised during the year was 274.80p (2020: 253.00p).

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%
CSOP 2021	**281.0p**	**281.0p**	**38.60%**	**3 years**	**0.41%**	**2.49%**
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%
Sharesave 2021	**225.0p**	**2.83.0p**	**38.60%**	**3 years**	**0.58%**	**2.49%**

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 92.71p (2020: 76.64p).

Expense recognised in the Consolidated Statement of Comprehensive Income

	2021 £'000	2020 £'000
The total expense recognised in the Consolidated Statement of Comprehensive Income arising from share-based payment transactions	**969**	975

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

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30. RESERVES

			Other			
Group	Property revaluation £'000	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Total other £'000
At 1 January 2020	2,993	293,593	271	5,910	209	6,390
Profit for the year	—	11,921	—	—	—	—
Dividends paid	—	(4,664)	—	—	—	—
Proceeds from shares issued	—	—	—	14	—	14
Decrease in fair value of group occupied property	(651)	—	—	—	—	—
Arising on employee share schemes	—	288	—	—	—	—
Actuarial loss on defined benefit pension scheme	—	(15,713)	—	—	—	—
Deferred tax on actuarial loss	—	3,089	—	—	—	—
At 31 December 2020	2,342	288,514	271	5,924	209	6,404
Profit for the year	**—**	**28,160**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**(7,620)**	**—**	**—**	**—**	**—**
Proceeds from shares issued	**—**	**—**	**—**	**340**	**—**	**340**
Arising on employee share schemes	**—**	**837**	**—**	**—**	**—**	**—**
Deferred tax on revaluation surplus	**(282)**	**—**	**—**	**—**	**—**	**—**
Actuarial gain on defined benefit pension scheme	**—**	**23,297**	**—**	**—**	**—**	**—**
Deferred tax on actuarial gain	**—**	**(4,840)**	**—**	**—**	**—**	**—**
At 31 December 2021	**2,060**	**328348**	**271**	**6,264**	**209**	**6,744**

		Other				
Parent Company	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Investment revaluation £'000	Total other £'000
At 1 January 2020	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
Profit for the year	**8,938**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**(7,620)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**340**	**—**	**—**	**340**
Arising on employee share schemes	**282**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**23,297**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**(4,840)**	**—**	**—**	**—**	**—**	**—**
At 31 December 2021	**81,414**	**271**	**6,264**	**211**	**1,135**	**7,881**

30. RESERVES CONTINUED

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 in subsidiaries are sold or impaired.

31. COST OF SHARES HELD BY THE ESOP TRUST

	2021 £'000	2020 £'000
At 1 January	**1,176**	1,248
Additions	**–**	615
Disposals	**(132)**	(687)
At 31 December	**1,044**	1,176

Quoted investments represent own shares held by the Henry Boot PLC Employee Trust as an ESOP to provide an incentive to greater ownership of shares in the Company by its employees.

At 31 December 2021, the Trustee held 422,489 shares (2020: 475,574 shares) with a cost of £1,044,311 (2020: £1,175,526) and a market value of £1,187,195 (2020: £1,213,715). 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

32. CASH GENERATED FROM OPERATIONS

		Group		Parent Company	
					Restated[1]
		2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Profit before tax		**35,142**	17,079	**7,211**	(162)
Adjustments for:					
Amortisation of PFI asset	11	**602**	570	**—**	—
Goodwill impairment	11	**203**	2,218	**—**	—
Depreciation and impairment of property, plant and equipment	12	**3,819**	3,585	**144**	203
Depreciation of right-of-use assets	13	**598**	987	**53**	56
Revaluation increase in investment properties	14	**(7,972)**	(1,266)	**—**	—
Amortisation of capitalised letting fees	3	**41**	30	**—**	—
Share-based payment expense	4	**968**	975	**413**	391
Pension scheme credit		**(920)**	(2,233)	**(920)**	(2,233)
Movements on provision against loans to subsidiaries		**—**	—	**(84)**	3,818
Profit on disposal of property, plant and equipment	3	**(16)**	(85)	**—**	—
Profit on disposal of equipment held for hire	3	**(981)**	(854)	**—**	—
(Profit)/Loss on disposal of right-of-use assets	3	**—**	89	**74**	3
Profit/(loss) on disposal of investment properties		**(1,340)**	95	**—**	—
Gain on disposal of joint ventures and subsidiaries		**—**	(7,426)	**—**	—
Finance income	5	**(724)**	(721)	**(4,544)**	(3,666)
Dividends received from subsidiaries		**—**	—	**(14,530)**	(7,897)
Finance costs	6	**1,155**	1,117	**2,275**	2,172
Share of profit of joint ventures and associates	16	**(8,928)**	(1,756)	**—**	—
Operating cash flows before movements in equipment held for hire		**21,646**	12,404	**(9,908)**	(7,315)
Purchase of equipment held for hire	12	**(5,952)**	(2,201)	**—**	—
Proceeds on disposal of equipment held for hire		**1,159**	1,159	**—**	—
Operating cash flows before movements in working capital		**16,854**	11,362	**(9,908)**	(7,315)
Increase in inventories		**(36,025)**	(31,285)	**—**	—
(Increase)/decrease in receivables		**(22,643)**	39,800	**4,677**	(1,221)
Decrease in contract assets		**5,772**	5,757	**—**	—
Increase/(decrease) in payables and provisions		**(226)**	(2,052)	**(3,806)**	6,174
Decrease in contract liabilities		**(2,397)**	(2,446)	**—**	—
Cash generated from operations		**(38,665)**	21,136	**(9,037)**	(2,362)

Net (debt)/cash is an alternative performance measure used by the Group and comprises the following:

Analysis of net (debt)/cash:					
Cash and cash equivalents		**11,116**	42,125	**2,691**	31,615
Bank overdrafts	25	**—**	—	**—**	(1,421)
Net cash and cash equivalents		**11,116**	42,125	**2,691**	30,194
Bank loans	25	**(50,000)**	(9,969)	**(50,000)**	—
Lease liabilities	13	**(1,660)**	(2,216)	**(78)**	(140)
Government loans	25	**(2,941)**	(2,941)	**—**	—
Net (debt)/cash		**(43,485)**	26,999	**(47,387)**	30,054

1 See 'Prior year restatement - parent' on page 156.

33. 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 £50,000,000 and £20,528,000 respectively.

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

34. EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date the Group has proposed a final dividend for 2021, further information can be found in note 10, and made an initial drawdown of £15.2m on the new £25.0m HSBC receivables purchase facility.

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.

35. DISPOSALS OF JOINT VENTURES AND SUBSIDIARIES

The Group completed on two disposals in the prior 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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

36. ADDITIONAL INFORMATION – SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the Company's subsidiaries, joint ventures and associates, all of which are incorporated in England (unless otherwise stated) and are either consolidated or equity accounted in the Group Financial Statements at 31 December 2021, are as follows:

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Airport Business Park Southend Management Limited[2]	1.8%	Indirect	Management company
Banner Plant Limited	100%	Direct	Plant Hire
Butterfield Quad Management Company Limited[2]	12.5%	Indirect	Management company
Butterfield Quad 2 Management Company Limited	100%	Indirect	Management company
Capitol Park Property Services Limited[2]	4.6%	Indirect	Management company
Chocolate Works York Management Company Limited	100%	Indirect	Management company
Comstock (Kilmarnock) Ltd.	100%	Indirect	Land promotion
First National Housing Trust Limited	100%	Direct	Property investment
Glasgowend Limited	100%	Direct	Inactive
Hallam Land Management Limited	100%	Direct	Land promotion
HB Island Limited	100%	Direct	Property development
HBGP Limited	100%	Direct	Property development
HBD City Court Limited	100%	Indirect	Property investment and development
HBD Summerhill Limited	100%	Indirect	Property investment and 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	Holding company
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	Inactive
Henry Boot Tamworth Limited	100%	Indirect	Property investment and development
Henry Boot Wentworth Limited	100%	Direct	Property development
IAMP Management Company Limited	100%	Indirect	Management company
Investments (North West) Limited	100%	Indirect	Property development
Marboot Centregate Ltd	100%	Indirect	Property investment
Marboot Centregate 2 Limited	100%	Indirect	Property investment
Moore Street Securities Limited	100%	Direct	Employee benefit trust
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
SJ Manchester Limited Partnership	100%	Indirect	Property development
SJM GP Limited	100%	Indirect	Property development
SJM (Nominee) Limited	100%	Indirect	Property development
Stonebridge Homes Group Limited[1]	50%	Indirect	Holding company
Stonebridge Homes Limited[1]	50%	Indirect	Property development
Stonebridge Offices Limited[1]	50%	Indirect	Property investment
Winter Ground Limited	100%	Indirect	Property development

1 Stonebridge related entities are included as subsidiaries due to the Group's additional voting rights, having two of the three director appointments.

2 Subsidiary by virtue of management control

36. ADDITIONAL INFORMATION – SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES CONTINUED

Joint ventures and associates	Proportion of ownership	Direct or indirect	Activity
Aytoun Street Developments Limited	50%	Indirect	Property development
Bigmouth Manchester Limited	50%	Indirect	Property development
Cognito Oak LLP	50%	Indirect	Property development
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
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	33%	Indirect	Management company
Pennine Property Partnership LLP	50%	Indirect	Property investment and development
Rainham Holdco SARL	20%	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.

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.

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.

Rainham Holdco SARL whose registered office is 1 Rue Isaac, Newton, L-2242, Luxembourg.

Residents Management Companies

The companies listed below are Residents Management Companies (RMCs). All RMCs are companies limited by guarantee without share capital (unless otherwise stated) and incorporated in the UK. The capital, reserves and profit or loss for the year has not been stated for these RMCs as beneficial interest in any assets or liabilities of these companies is held by the residents. These companies have not been included in the consolidated accounts, are temporary members of the Group and will be handed over to residents in due course. The registered office of each RMC is 1 Featherbank Court, Horsforth, Leeds, LS18 4QF.

RMCs controlled by the Group:

Woodside Park Newlay Estate Management Company Limited, Fox Valley Management Company Limited[1], 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, Victoria Gardens (Headingley) Management Company Ltd[1], Derry Hill Menston Management Company Limited and Hawbank Field Skipton Management Company Limited.

1. Company limited by share capital

Pictured: Longford Park, Banbury, 1,070 plot site

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 DoubleTree by Hilton Hotel Sheffield Park, Chesterfield Road South, Sheffield, S8 8BW on Thursday 26 May 2022 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 2021.

RESOLUTION 2

To declare a final dividend of 3.63p 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 2021.

RESOLUTION 4

To reappoint Timothy Roberts as a Director of the Company.

RESOLUTION 5

To reappoint Darren Littlewood as a Director of the Company.

RESOLUTION 6

To reappoint Joanne Lake as a Director of the Company.

RESOLUTION 7

To reappoint James Sykes as a Director of the Company.

RESOLUTION 8

To reappoint Peter Mawson as a Director of the Company.

RESOLUTION 9

To reappoint Gerald Jennings as a Director of the Company.

RESOLUTION 10

To reappoint Ernst & Young LLP as auditors of the Company.

RESOLUTION 11

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

RESOLUTION 12

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 £4,446,152, provided that (unless previously revoked, varied or renewed) this authority shall expire on 25 August 2023 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 13

THAT subject to the passing of Resolution 12 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 12 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):
   ii. 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
   iii. 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 £666,922,

and (unless previously revoked, varied or renewed) this power shall expire on 25 August 2023 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 14

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 13,338,457;

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 25 August 2023; 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

13 April 2022

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 24 May 2022 (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.
3. An ordinary shareholder is 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. An ordinary shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that ordinary shareholder. Failure to specify the number of ordinary shares each proxy appointment relates to or specifying a number which when taken together with the numbers of ordinary shares set out in the other proxy appointments is in excess of the number of ordinary shares held by the ordinary shareholder may result in the proxy appointment being invalid.
4. APPOINTMENT OF PROXY BY JOINT HOLDERS: In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holders (the first-named being the most senior).
5. A proxy may only be appointed in accordance with the procedures set out in notes 6 to 9 below and the notes to the form of proxy. The appointment of a proxy will not preclude an ordinary shareholder from attending and voting in person at the meeting.
6. A form of proxy is enclosed with the notice issued to holders of ordinary shares. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed. To be valid, a form of proxy must be received by post (during normal business hours only) 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 24 May 2022 (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).
7. As an alternative to completing the hard copy form of proxy, an ordinary shareholder may appoint any person as his or her proxy electronically using the online service at www.investorcentre.co.uk/eproxy. For an electronic proxy appointment to be valid, the appointment must be received by Computershare Investor Services PLC no later than 12.30pm on 24 May 2022 (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).

NOTICE OF ANNUAL GENERAL MEETING

8. 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 Company's registrar. For further information regarding Proxymity, please go to proxymity.io. Your proxy must be lodged by 12.30pm on 24 May 2022 (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) 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.
9. CREST members who wish to appoint a proxy or proxies for the AGM (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which is available at 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 24 May 2022 (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.
10. An ordinary shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.
11. 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 5 to 9 above does not apply to a Nominated Person. The rights described in such notes can only be exercised by ordinary shareholders of the Company.
12. 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 16 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 12 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.

13. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 12:
    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).
14. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Companies Act 2006. The Company must answer any such question unless:
    a. to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;
    b. the answer has already been given on a website in the form of an answer to a question; or
    c. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
15. 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
16. 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.
17. As at 08 April 2022 (being the last practicable date before publication of this notice), the Company's issued ordinary share capital was 133,392,949 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.
18. 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.
19. Biographies for each of the directors are shown on pages 76 to 77 of the annual report for the year ended 31 December 2021.

FINANCIAL CALENDAR

LONDON STOCK EXCHANGE ANNOUNCEMENTS

Annual Results 2021:
23 March 2022

Interim Results 2022:
20 September 2022

Pre-close Trading Statement 2022:
end January 2023

ANNUAL REPORT AND FINANCIAL STATEMENTS

Annual Report and Financial Statements 2021 (Available and online):
by 22 April 2022

ANNUAL GENERAL MEETING

26 May 2022

DIVIDENDS PAID ON ORDINARY SHARES

2021Final dividend date (Subject to approval at AGM):
01 June 2022

2022 Interim dividend date (Subject to approval):
14 October 2022

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

FTI Consulting
200 Aldersgate
Aldersgate Street
London EC1A 4HD

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