FINANCIAL STATEMENTS

"At every level a great company to work for. It truly values its people and recognises that we are vital to the continued success of the business"

SIMON GRIFFITHS
Group Property Solicitor

Independent Auditors' Report

to the members of Henry Boot PLC

Report on the audit of the financial statements

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 2017 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Parent Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Group and Parent Company Statements of financial position as at 31 December 2017; the Group and Parent Company statement of comprehensive income, the Group and Parent Company Statements of cash flows, and the Group and Parent Company Statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Parent Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

- Overall Group materiality: £3.5m (2016: £2.9m), based on 0.8% of total assets.
- Overall Parent Company materiality: £1.2m (2016: £1.3m), based on 0.6% of total assets.

- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.
- The Group is structured along three business lines being Property Investment and Development, Land Promotion and Construction. The Group financial statements are a consolidation of the 50 reporting units within these three business lines and the Group's centralised functions.
- Of the Group's 50 reporting units, we identified six which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics.
- Specific audit procedures over investment properties, inventories, borrowings, and property plant and equipment were performed for a further four reporting units, and specific audit procedures were also performed over one joint venture company due to its contribution to the Group's investment in joint ventures and associates. This, together with additional procedures performed on the Group's centralised functions, gave us the evidence we needed for our opinion on the Group financial statements as a whole.
- All work was performed by the Group audit team.
- The reporting units where we performed audit work accounted for 95% of total assets.

- Valuation of investment properties (Group).
- Accuracy and valuation of construction contract balances (Group).
- Completeness and accuracy of land development provision (Group).
- Actuarial assumptions used in accounting for defined benefit pension scheme liabilities (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that 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. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, Companies Act 2006. Our tests included, but were not limited to, review of correspondence with legal advisors and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

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

Independent Auditors' Report continued

to the members of Henry Boot PLC

Key audit matter	How our audit addressed the key audit matter
Accuracy and valuation of construction contract balances We focused on this area because of the judgements involved in estimating the stage of completion of construction contract activity and assessing costs to complete. This in turn means the assessment of anticipated profits or losses on individual contracts is judgemental. The Group undertakes a number of significant construction contracts and a relatively small change in the judgements applied, such as whether a provision for remedial works is required based on an assessment of risk and magnitude relating to the identified issue, could result in a material misstatement to the financial statements.	We evaluated management's revenue and profit recognition on a sample of contracts that we selected based on factors such as risk and magnitude and found that it was consistent with the supporting evidence obtained. Our work over a sample of contracts included the following: – Meeting with in-house quantity surveyors to understand the status of contract work and to understand how the cost to complete had been calculated; – Agreeing key contract details to legal documentation; – Using computer assisted audit techniques to verify the occurrence of all revenue billed during the year through agreeing amounts certified by third parties to accounts receivable and cash; – We also checked customer acceptance of the work undertaken, considering the implications of any ongoing disputes which included discussions with the Group legal department; – Assessing cost to complete schedules for reasonableness, primarily by looking at historical budgeting accuracy; and – We tested a sample of accruals for contract work undertaken by agreeing them to supporting documentation, including subcontractor applications for payment and invoices. We tested a sample of provisions for contract work not yet undertaken to reports prepared by in-house quantity surveyors, correspondence with any claimants and testing the outturn on similar amounts previously provided for. We also assessed management's overall profit recognition methodology, including a sample assessment of the accuracy of revenue and profit forecasts from prior years. This highlighted that management's forecasting ability was materially consistent with the actual outcomes. No material adjustments were identified as a result of our testing.
Actuarial assumptions used in accounting for defined benefit pension scheme liabilities The Group has a defined benefit pension scheme net liability which is significant in the context of both the overall balance sheet and the results of the Group. The Group uses an independent actuary to value the pension scheme liabilities under IAS 19. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including salaries increase, inflation, discount rates and mortality) can have a material impact on the calculation of the liability.	We obtained the actuary's report and we used our own actuarial experts to assess the judgemental assumptions such as discount rate, inflation, and mortality rates, by comparing the key assumptions to externally derived data, as well as our own independently formed assessments, in order to assess whether they were reasonable. We have no exceptions to report as a result of this testing.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Parent Company financial statements
Overall materiality	£3.5m (2016: £2.9m).	£1.2m (2016: £1.3m).
How we determined it	0.8% of total assets.	0.6% of total assets.
Rationale for benchmark applied	The key objective of the Group is to increase long-term shareholder value by maximising the value of assets such as inventory and investment properties. In determining the benchmark we also had regard to the profitability of the Group to ensure that sufficient consideration was given to trading activities. This methodology is consistent with that applied in the prior year.	The key objective of the Parent Company is to hold investments in the various Group companies. As a result, we believe total assets is the primary measure used by the shareholders in assessing the performance of the Parent Company and is therefore the appropriate benchmark to use in setting materiality. This methodology is consistent with that applied in the prior year.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £133,000 and £2,900,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £175,000 (Group audit) (2016: £145,000) and £60,000 (Parent Company audit) (2016: £65,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent Auditors' Report continued

to the members of Henry Boot PLC

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on pages 40 to 43 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 43 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 97, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 71 to 73 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 97, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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's and the 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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 28 May 2010 to audit the financial statements for the year ended 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2010 to 31 December 2017.

ANDY WARD (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
20 April 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	1	**408,486**	306,806
Cost of sales		**(321,758)**	(244,496)
Gross profit		**86,728**	62,310
Other income	1	**—**	40
Administrative expenses		**(22,636)**	(17,958)
Pension expenses	4	**(4,336)**	(3,774)
		59,756	40,618
Decrease in fair value of investment properties	13	**(3,597)**	(1,783)
Profit on sale of investment properties		**137**	647
Loss on sale of assets held for sale		**(98)**	—
Operating profit	3	**56,198**	39,482
Finance income	5	**189**	156
Finance costs	6	**(1,703)**	(1,670)
Share of profit of joint ventures and associates	15	**708**	1,523
Profit before tax		**55,392**	39,491
Tax	7	**(9,817)**	(8,945)
Profit for the year from continuing operations		**45,575**	30,546
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	**(379)**	30
Deferred tax on property revaluations	17	**50**	3
Actuarial gain/(loss) on defined benefit pension scheme	26	**2,306**	(8,959)
Current tax on actuarial (gain)/loss	7	**—**	428
Deferred tax on actuarial (gain)/loss	17	**(391)**	964
Total other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years		**1,586**	(7,534)
Total comprehensive income for the year		**47,161**	23,012
Profit for the year attributable to:			
Owners of the Parent Company		**42,368**	28,259
Non-controlling interests		**3,207**	2,287
		45,575	30,546
Total comprehensive income attributable to:			
Owners of the Parent Company		**43,954**	20,725
Non-controlling interests		**3,207**	2,287
		47,161	23,012
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**32.1p**	21.5p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**31.8p**	21.3p

Statements of Financial Position

as at 31 December 2017

	Note	Group 2017 £'000	Group 2016 £'000	Parent Company 2017 £'000	Parent Company 2016 £'000
Assets					
Non-current assets					
Intangible assets	11	**5,361**	4,909	**—**	—
Property, plant and equipment	12	**26,485**	21,967	**559**	297
Investment properties	13	**132,777**	123,663	**—**	—
Investments	14	**—**	—	**23,732**	8,488
Investment in joint ventures and associates	15	**5,856**	5,148	**—**	—
Trade and other receivables	16	**2,906**	5,592	**—**	—
Deferred tax assets	17	**4,613**	5,249	**4,192**	4,694
		177,998	166,528	**28,483**	13,479
Current assets					
Inventories	18	**144,603**	137,915	**—**	—
Trade and other receivables	16	**93,176**	66,921	**182,307**	191,751
Cash and cash equivalents		**10,282**	7,389	**6,170**	2,507
		248,061	212,225	**188,477**	194,258
Assets classified as held for sale	20	**2,000**	1,050	**—**	—
		250,061	213,275	**188,477**	194,258
Liabilities					
Current liabilities					
Trade and other payables	21	**79,429**	61,149	**72,167**	73,689
Current tax liabilities		**5,794**	4,707	**4,884**	3,524
Borrowings	24	**34,340**	33,342	**25,123**	31,008
Provisions	25	**5,602**	6,669	**—**	—
		125,165	105,867	**102,174**	108,221
Net current assets		**124,896**	107,408	**86,303**	86,037
Non-current liabilities					
Trade and other payables	21	**2,684**	4,615	**—**	—
Borrowings	24	**4,922**	6,922	**—**	—
Retirement benefit obligations	26	**22,825**	26,396	**22,825**	26,396
Provisions	25	**2,387**	2,451	**—**	—
		32,818	40,384	**22,825**	26,396
Net assets		**270,076**	233,552	**91,961**	73,120
Equity					
Share capital	29	**13,701**	13,608	**13,701**	13,608
Property revaluation reserve	30	**3,550**	3,879	**—**	—
Retained earnings	30	**245,260**	210,664	**72,242**	54,835
Other reserves	30	**6,121**	4,611	**7,258**	5,748
Cost of shares held by ESOP trust	31	**(1,240)**	(1,071)	**(1,240)**	(1,071)
Equity attributable to owners of the Parent Company		**267,392**	231,691	**91,961**	73,120
Non-controlling interests		**2,684**	1,861	**—**	—
Total equity		**270,076**	233,552	**91,961**	73,120

The Parent Company made a profit for the year of £25,425,000 (2016: £21,038,000).

The Financial Statements on pages 106 to 153 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 20 April 2018.

On behalf of the Board

JOHN SUTCLIFFE
Director

DARREN LITTLEWOOD
Director

Statements of Changes in Equity

for the year ended 31 December 2017

		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 31 December 2015		13,604	3,964	197,895	4,548	(345)	219,666	1,883	221,549
Profit for the year	30	—	—	28,259	—	—	28,259	2,287	30,546
Other comprehensive expense		—	33	(7,567)	—	—	(7,534)	—	(7,534)
Total comprehensive income		—	33	20,692	—	—	20,725	2,287	23,012
Equity dividends	10	—	—	(8,318)	—	—	(8,318)	(2,309)	(10,627)
Realised revaluation surplus		—	(118)	118	—	—	—	—	—
Proceeds from shares issued		4	—	—	63	—	67	—	67
Purchase of treasury shares	31	—	—	—	—	(959)	(959)	—	(959)
Share-based payments	30, 31	—	—	277	—	233	510	—	510
		4	(118)	(7,923)	63	(726)	(8,700)	(2,309)	(11,009)
At 31 December 2016		13,608	3,879	210,664	4,611	(1,071)	231,691	1,861	233,552
Profit for the year	30	**—**	**—**	**42,368**	**—**	**—**	**42,368**	**3,207**	**45,575**
Other comprehensive income		**—**	**(329)**	**1,915**	**—**	**—**	**1,586**	**—**	**1,586**
Total comprehensive income		**—**	**(329)**	**44,283**	**—**	**—**	**43,954**	**3,207**	**47,161**
Equity dividends	10	**—**	**—**	**(9,628)**	**—**	**—**	**(9,628)**	**(2,384)**	**(12,012)**
Proceeds from shares issued		**93**	**—**	**—**	**1,510**	**—**	**1,603**	**—**	**1,603**
Purchase of treasury shares	31	**—**	**—**	**—**	**—**	**(782)**	**(782)**	**—**	**(782)**
Share-based payments	30, 31	**—**	**—**	**(59)**	**—**	**613**	**554**	**—**	**554**
		93	**—**	**(9,687)**	**1,510**	**(169)**	**(8,253)**	**(2,384)**	**(10,637)**
At 31 December 2017		**13,701**	**3,550**	**245,260**	**6,121**	**(1,240)**	**267,392**	**2,684**	**270,076**

Parent Company	Note	Share capital £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total equity £'000
At 31 December 2015		13,604	49,608	5,685	(345)	68,552
Profit for the year	8	—	21,038	—	—	21,038
Other comprehensive expense		—	(7,567)	—	—	(7,567)
Total comprehensive income		—	13,471	—	—	13,471
Equity dividends	10	—	(8,318)	—	—	(8,318)
Proceeds from shares issued		4	—	63	—	67
Purchase of treasury shares	31	—	—	—	(959)	(959)
Share-based payments	30	—	74	—	233	307
		4	(8,244)	63	(726)	(8,903)
At 31 December 2016		13,608	54,835	5,748	(1,071)	73,120
Profit for the year	8	**—**	**25,425**	**—**	**—**	**25,425**
Other comprehensive income		**—**	**1,915**	**—**	**—**	**1,915**
Total comprehensive income		**—**	**27,340**	**—**	**—**	**27,340**
Equity dividends	10	**—**	**(9,628)**	**—**	**—**	**(9,628)**
Proceeds from shares issued		**93**	**—**	**1,510**	**—**	**1,603**
Purchase of treasury shares	31	**—**	**—**	**—**	**(782)**	**(782)**
Share-based payments	30	**—**	**(305)**	**—**	**613**	**308**
		93	**(9,933)**	**1,510**	**(169)**	**(8,499)**
At 31 December 2017		**13,701**	**72,242**	**7,258**	**(1,240)**	**91,961**

Statements of Cash Flows

for the year ended 31 December 2017

	Note	Group 2017 £'000	Group 2016 £'000	Parent Company 2017 £'000	Parent Company 2016 £'000
Cash flows from operating activities					
Cash generated from/(used by) operations	32	**46,338**	28,545	**(4,446)**	(1,889)
Interest paid		**(1,463)**	(1,141)	**(2,760)**	(3,154)
Tax paid		**(8,620)**	(7,405)	**(7,251)**	(6,370)
Net cash flows from operating activities		**36,255**	19,999	**(14,457)**	(11,413)
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	34	**(2,711)**	—	**—**	—
Purchase of intangible assets	11	**(622)**	(606)	**—**	—
Purchase of property, plant and equipment	12	**(3,906)**	(1,836)	**(426)**	(231)
Purchase of investment property	13	**(24,081)**	(10,181)	**—**	—
Purchase of investments in joint ventures and associates	15	**—**	(800)	**—**	—
Proceeds on disposal of property, plant and equipment		**137**	492	**—**	—
Proceeds on disposal of investment properties		**2,778**	9,430	**—**	—
Proceeds on disposal of assets held for sale		**8,141**	—	**—**	—
Interest received		**544**	113	**17,994**	7,495
Dividends received from subsidiaries		**—**	—	**15,244**	15,201
Dividends received from joint ventures		**—**	965	**—**	—
Net cash flows from investing activities		**(19,720)**	(2,423)	**32,812**	22,465
Cash flows from financing activities					
Proceeds from shares issued		**1,603**	67	**1,603**	67
Purchase of treasury shares	31	**(782)**	(959)	**(782)**	(959)
Decrease in borrowings		**(49,965)**	(39,128)	**(35,000)**	(30,000)
Increase in borrowings		**47,514**	28,421	**30,000**	20,000
Dividends paid – ordinary shares	10	**(9,607)**	(8,297)	**(9,607)**	(8,297)
– non-controlling interests		**(2,384)**	(2,309)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**(13,642)**	(22,226)	**(13,807)**	(19,210)
Net increase/(decrease) in cash and cash equivalents		**2,893**	(4,650)	**4,548**	(8,158)
Net cash and cash equivalents at beginning of year		**7,389**	12,039	**1,499**	9,657
Net cash and cash equivalents at end of year		**10,282**	7,389	**6,047**	1,499
Analysis of net debt:					
Cash and cash equivalents		**10,282**	7,389	**6,170**	2,507
Bank overdrafts	24	**—**	—	**(123)**	(1,008)
Net cash and cash equivalents		**10,282**	7,389	**6,047**	1,499
Bank loans	24	**(30,599)**	(32,684)	**(25,000)**	(30,000)
Finance leases		**(2,544)**	—	**—**	—
Government loans	24	**(6,119)**	(7,580)	**—**	—
Net debt		**(28,980)**	(32,875)	**(18,953)**	(28,501)

Principal Accounting Policies

for the year ended 31 December 2017

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

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

Basis of preparation and statement of compliance

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

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

Consolidation

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

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

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

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

Going concern

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Strategic Report on page 43.

Joint ventures and associates

Joint ventures are all entities in which the Group has shared control with another entity, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Jointly controlled entities and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of profits or losses is recognised in the Consolidated Statement of Comprehensive Income. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recoverable or there are further commitments to provide funding. Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in them. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the joint ventures and associates are consistent with those of the Group.

Business combinations and goodwill

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

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

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

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

Goodwill arising on consolidation of subsidiary undertakings is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is subjected to an impairment test at the reporting date or when there has been an indication that the goodwill should be impaired, any loss is recognised immediately through the 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.

Assets classified as held for sale

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

Revenue recognition

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

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

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

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

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

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

Construction contracts

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

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

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

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

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

Principal Accounting Policies continued

for the year ended 31 December 2017

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 and development housebuilding and trading activities;
- Land Promotion, inclusive of land management, development and trading activities; and
- Construction, inclusive of its PFI company, plant hire and regeneration activities.

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

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

Investment property

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

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

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

Property, plant and equipment

Group occupied properties are stated in the Statement of Financial Position at their revalued amounts, being the fair value, based on market values, less any subsequent accumulated depreciation or subsequent accumulated impairment loss. Fair value is determined annually by independent valuers. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the 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 12.5% and 50%
- Vehicles – between 10% and 25%
- Office equipment – between 25% and 33%

Intangible assets excluding goodwill

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

Leasing

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

Inventories

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

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

- Property developments in progress includes properties being developed for onward sale.
- Land held for development or sale is land owned by the Group that is promoted through the planning process in order to gain planning permission, adding value to the land.
- Options to purchase land are agreements that the Group 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 incurs various costs in promoting land held under planning promotion agreements. In some instances the agreements allow for the Group to be reimbursed certain expenditure following the conclusion of a successful sale. These costs are held in inventory at the lower of cost and estimated net realisable value. Upon reimbursement, inventory is reduced by the value of the reimbursed cost.

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

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

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

Retirement benefit costs

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

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

Share-based payments

Equity-settled share-based payments to employees of the Company and its subsidiary undertakings are measured at fair value of the equity instruments at the date of grant and are expensed on a straight-line basis over the vesting period. Fair value is measured by a Monte Carlo pricing model, taking 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.

Details regarding the determination of the fair value of share-based transactions are set out in note 29.

Tax

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

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

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

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

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

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

The carrying value of the Group's investment property is assumed to be realised by sale and the deferred tax is then calculated based on the respective temporary differences and tax consequences arising from this assumption.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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.

Share capital

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

Financial instruments

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

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

The principal financial instruments are:

– Trade and other receivables which are recognised and carried at the lower of their original invoiced value and recoverable amount — where the time value of money is material, receivables are carried at amortised cost using the effective interest rate method (see Interest income and expense on page 116). Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Should an amount previously written off prove recoverable, the amount written off is reversed through the Consolidated Statement of Comprehensive Income to the extent that the amount written back does not exceed the amortised cost had the write-off not been recognised;

- Cash and cash equivalents, which comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value with an original maturity of three months or less;
- Trade and other payables which are on normal credit terms, are not interest bearing and are stated at their nominal values — where the time value of money is material, payables are carried at amortised cost using the effective interest rate method (see Interest income and expense on page 116);
- Borrowings — see below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 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.

Leases

The cost of assets held under finance leases and hire purchase agreements is capitalised with an equivalent liability categorised as appropriate under current liabilities or non-current liabilities. The asset is depreciated over the shorter of the lease term or its useful life.

Rentals under finance leases and hire purchase agreements are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The finance costs are charged in arriving at profit before tax.

Provisions

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

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

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

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 discounted cash flows to the end of the contract, to the extent of the costs exceeding the economic benefits.

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset.

Other provisions include any liabilities where the Directors anticipate that a present obligation would result in a future outflow of resources, including legal and regulatory penalties or claims, 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 25 on page 140.

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.

Dividends

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

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.

Judgements and key assumptions

The critical judgements in applying the Group's Accounting Policies that have the most significant effect on the amounts recognised in the Financial Statements, apart from those involving estimations (see below), relate to revenue recognition, construction contracts and inventories. All of these are referred to on pages 111 to 113 and each is interpreted by management in the light of IAS 18 'Revenue', IAS 11 'Construction Contracts' and IAS 2 'Inventories'.

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

- Retirement benefit costs — the estimates used in retirement benefit costs are arrived at in conjunction with the scheme's actuary and advisers, those having the most significant impact being the liabilities discount rate, RPI and mortality rates. Note 26 to the Financial Statements gives details of the sensitivity surrounding these estimates;
- Fair value of investment properties and of Group occupied properties — the fair value of completed investment property and of Group occupied property is determined by independent valuation experts using the yield method valuation technique. The fair value of investment property under construction has been determined using the residual method by the Directors of the Company. The most significant estimates used in these valuations are rental values, yields and costs to complete. Notes 12 and 13 to the Financial Statements give details of the valuation methods used and the sensitivity surrounding these estimates; and
- Provisions — amounts recognised in relation to provisions are based on assumptions in respect of cost estimates, the timing of cash flows and discount rates used. Note 25 to the Financial Statements gives details of the sensitivity surrounding these estimates.

Impact of accounting standards and interpretations

At the date of authorisation of these Financial Statements, the following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2017:

		Effective from
Annual improvements (issued 2016)	'Annual Improvements to IFRSs 2014–2016 Cycle'	1 January 2017
IAS 7 (amended 2016)	'Disclosure Initiative'	1 January 2017
IAS 12 (amended 2016)	'Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017

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

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

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

		Effective from
Annual improvements (issued 2017)	'Annual Improvements to IFRSs 2015–2017 Cycle'	1 January 2019*
IAS 19 (amended 2018)	'Plan Amendment, Curtailment or Settlement'	1 January 2019*
IAS 28 (amended 2017)	'Long-term Interests in Associates and Joint Ventures'	1 January 2019*
IAS 40 (amended 2016)	'Transfers of Investment Property'	1 January 2018*
IFRIC 22 (amended 2016)	'Foreign Currency Transactions and Advance Consideration'	1 January 2018*
IFRIC 23 (amended 2017)	'Uncertainty over Income Tax Treatments'	1 January 2019*
IFRS 2 (amended 2016)	'Classification and Measurement of Share-based Payment Transactions'	1 January 2018*
IFRS 4 (amended 2016)	'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	1 January 2018
IFRS 9 (issued 2014)	'Financial Instruments'	1 January 2018
IFRS 9 (issued 2017)	'Payment Features with Negative Compensation'	1 January 2019*
IFRS 15 (issued 2014)	'Revenue from Contracts with Customers'	1 January 2018
IFRS 15 (amended 2016)	'Revenue from Contracts with Customers'	1 January 2018
IFRS 16 (issued 2016)	'Leases'	1 January 2019
IFRS 17 (issued 2017)	'Insurance Contracts'	1 January 2021*

* Not yet endorsed by the EU.

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.

IFRS15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014 and became effective for accounting periods beginning on or after 1 January 2018. The Group has completed an impact assessment of the new standard and identified the affected areas as being; the separation of performance obligations and contract modifications on construction contracts, the identification of repurchase agreements to be accounted for as financing arrangements and the advanced recognition of contingent consideration (including overage receipts on the Group's land promotion activities). Having reviewed the Groups ongoing contracts the Directors are satisfied that no material adjustments will be required on the initial application of the new standard and that all new contracts will assessed against the new recognition criteria.

The Directors have also assessed the impact of IFRS 9 'Financial Instruments' and continue to assess the impact of IFRS 16 'Leases' but do not expect either to have a material quantitative effect.

In 2017, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

Notes to the Financial Statements

for the year ended 31 December 2017

1. Revenue

Analysis of the Group's revenue is as follows:

Activity in the United Kingdom	2017 £'000	2016 £'000
Revenue from construction contracts	53,187	55,347
Property development	216,085	147,496
House builder unit sales	24,713	20,109
Land promotion	76,009	51,058
PFI concession income	12,526	11,265
Plant and equipment hire	16,252	12,772
Investment property rental income	8,839	8,250
Other rental income	875	509
	408,486	306,806
Other income	—	40
	408,486	306,846

Contingent rents recognised as income during the year amount to £525,000 (2016: £439,000).

Other income recognised in the prior year relates to payments received under a debt agreement with the Export Credit Guarantee Department arising from a long-completed contract that was not paid for at the time.

2. Segment information

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

During the year the Property Investment and Development segment made sales to a single external customer amounting to 29.7% (2016: 14.7%) of the Group's total revenue. This related to a single high value contract which commenced in the prior year and will continue through to 2019. 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 110 to 117.

Segment profit represents the profit earned by each segment before tax and is consistent with the measure reported to the Group's Board for the purpose of resource allocation and assessment of segment performance.

Revenues from external sales are detailed in note 1.

2. Segment information continued

	2017					
Revenue	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	250,418	76,192	81,876	—	—	408,486
Inter-segment sales	324	—	7,417	646	(8,387)	—
Total revenue	250,742	76,192	89,293	646	(8,387)	408,486
Operating profit/(loss)	30,419	23,169	9,613	(7,003)	—	56,198
Finance income	1,041	1,472	900	17,953	(21,177)	189
Finance costs	(5,950)	(1,567)	(549)	(2,757)	9,120	(1,703)
Share of profit of joint ventures and associates	708	—	—	—	—	708
Profit/(loss) before tax	26,218	23,074	9,964	8,193	(12,057)	55,392
Tax	(5,512)	(4,409)	(1,853)	1,957	—	(9,817)
Profit/(loss) for the year	20,706	18,665	8,111	10,150	(12,057)	45,575
Other information						
Capital additions	26,188	3	8,615	1,055	—	35,861
Depreciation	206	17	3,984	692	—	4,899
Impairment	48	—	203	—	—	251
Amortisation	—	—	870	—	—	870
Decrease in fair value of investment properties	(3,597)	—	—	—	—	(3,597)
Provisions	—	59	1,120	—	—	1,179
Pension scheme credit	—	—	—	(1,249)	—	(1,249)

	2016					
Revenue	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	176,232	51,190	79,384	—	—	306,806
Inter-segment sales	314	—	5,044	639	(5,997)	—
Total revenue	176,546	51,190	84,428	639	(5,997)	306,806
Operating profit/(loss)	15,105	18,608	10,288	(4,519)	—	39,482
Finance income	936	1,079	1,172	22,649	(25,680)	156
Finance costs	(6,390)	(1,955)	(484)	(3,145)	10,304	(1,670)
Share of profit of joint ventures and associates	1,523	—	—	—	—	1,523
Profit/(loss) before tax	11,174	17,732	10,976	14,985	(15,376)	39,491
Tax	(1,969)	(3,532)	(2,244)	(1,177)	(23)	(8,945)
Profit/(loss) for the year	9,205	14,200	8,732	13,808	(15,399)	30,546
Other information						
Capital additions	10,278	29	5,371	993	—	16,671
Depreciation	203	18	3,200	601	—	4,022
Impairment	—	—	203	—	—	203
Amortisation	36	—	1,251	—	—	1,287
Decrease in fair value of investment properties	1,783	—	—	—	—	1,783
Provisions	—	831	870	—	—	1,701
Pension scheme credit	—	—	—	(2,140)	—	(2,140)

Notes to the Financial Statements continued

for the year ended 31 December 2017

2. Segment information continued

	2017 £'000	2016 £'000
Segment assets		
Property Investment and Development	233,253	195,830
Land Promotion	140,379	136,378
Construction	36,385	32,104
Group overheads	3,147	2,853
	413,164	367,165
Unallocated assets		
Deferred tax assets	4,613	5,249
Cash and cash equivalents	10,282	7,389
Total assets	428,059	379,803
Segment liabilities		
Property Investment and Development	28,847	17,646
Land Promotion	28,146	20,893
Construction	29,750	33,888
Group overheads	3,359	2,457
	90,102	74,884
Unallocated liabilities		
Current tax liabilities	5,794	4,707
Current borrowings	34,340	33,342
Non-current borrowings	4,922	6,922
Retirement benefit obligations	22,825	26,396
Total liabilities	157,983	146,251
Total net assets	270,076	233,552

3. Operating profit

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

	2017 £'000	2016 £'000
Depreciation of property, plant and equipment (note 12)	4,899	4,022
Impairment of goodwill included in administrative expenses (note 11)	203	203
Impairment of land and buildings included in administrative expenses (note 12)	48	—
Amortisation of PFI asset included in cost of sales (note 11)	870	1,251
Amortisation of capitalised letting fees (note 13)	48	36
Loss on sale of assets held for sale	98	—
Impairment losses recognised on trade receivables included in cost of sales	90	61
Impairment losses recognised on trade receivables included in administrative expenses	13	307
Property rentals under operating leases	391	295
Decrease in fair value of investment property (note 13)	3,597	1,783
Cost of inventories recognised as expense	82,772	65,912
Employee costs	30,832	26,098
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	7	7
Profit on sale of property, plant and equipment	(53)	(506)

3. Operating profit continued

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

	2017 £'000	2016 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	95	95
Fees payable to the auditors and their associates for other services:		
– audit of the Company's associates pursuant to legislation	126	114
Total audit fees	221	209
Other services	4	28
Total non-audit fees	4	28
Total fees	225	237

4. Employee costs

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Wages and salaries	22,747	19,137	3,796	2,690
Share-based payment expense	554	510	308	306
Social security costs	2,993	2,322	659	346
Defined benefit pension costs (see note 26)	2,440	2,464	503	(26)
Defined contribution pension costs (see note 26)	1,730	1,220	207	197
Other pension costs	166	90	10	8
	30,630	25,743	5,483	3,521

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

	2017 Number	2016 Number
Property Investment and Development	78	66
Land Promotion	34	33
Construction	176	172
Plant Hire	142	117
Parent Company	56	53
	486	441

5. Finance income

	2017 £'000	2016 £'000
Interest on bank deposits	10	13
Interest on other loans and receivables	48	(88)
Fair value adjustments on trade receivables	131	231
	189	156

6. Finance costs

	2017 £'000	2016 £'000
Interest on bank loans and overdrafts	1,053	1,097
Interest on other loans and payables	138	128
Fair value adjustments on trade payables	393	387
Fair value adjustments on borrowings	119	56
Provisions: unwinding of discount (note 25)	—	2
	1,703	1,670

7. Tax

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax on profits for the year	10,090	8,927
Adjustments in respect of earlier years	(372)	(23)
Total current tax	9,718	8,904
Deferred tax (note 17):		
Origination and reversal of temporary differences	99	41
Total deferred tax	99	41
Total tax	9,817	8,945

Corporation tax is calculated at 19.25% (2016: 20%) of the estimated assessable profit for the year.

As a result of the change in the UK corporation tax rate from 20% to 19% effective from 1 April 2017, substantively enacted on 26 October 2015, and from 19% to 17% effective from 1 April 2020, substantively enacted on 6 September 2016, deferred tax balances at the year end have been measured at 17% (2016: 17%) being the rate at which timing differences are expected to reverse.

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

	2017 £'000	2016 £'000
Profit before tax	55,392	39,491

	2017 %	2016 %
Tax at the UK corporation tax rate	19.25	20.00
Effects of:		
Permanent differences	(2.01)	3.01
Capital gains	(0.06)	—
Tax losses for which no deferred tax asset is recognised	1.39	0.47
Adjustment in respect of earlier years	(0.60)	(0.06)
Joint venture results reported net of tax	(0.25)	(0.77)
Effective tax rate	17.72	22.65

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

	2017 £'000	2016 £'000
Current tax:		
– actuarial gain	—	428
Deferred tax:		
– property revaluations	50	3
– actuarial (gain)/loss	(391)	964
Total tax recognised in other comprehensive income	(341)	1,395

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 21 April 2017 is £25,425,000 (2016: £21,038,000) and includes dividends received from subsidiaries of £11,700,000 (2016: £15,201,000).

9. Earnings per ordinary share

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

	2017 £'000	2016 £'000
Profit for the year	45,575	30,546
Non-controlling interests	(3,207)	(2,287)
Preference dividend	(21)	(21)
	42,347	28,238

	2017 £'000	2016 £'000
Weighted average number of shares in issue	132,323,911	132,052,925
Less shares held by the ESOP on which dividends have been waived	(523,597)	(523,606)
Weighted average number for basic earnings per share	131,800,314	131,529,319
Adjustment for the effects of dilutive potential ordinary shares	1,492,317	1,059,602
Weighted average number for diluted earnings per share	133,292,631	132,588,921

10. Dividends

	2017 £'000	2016 £'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 2016 of 4.50p per share (2015: 3.80p)	5,917	5,006
Interim dividend for the year ended 31 December 2017 of 2.80p per share (2016: 2.50p)	3,690	3,291
	9,628	8,318

The proposed final dividend for the year ended 31 December 2017 of 5.20p per share (2016: 4.50p) makes a total dividend for the year of 8.00p (2016: 7.00p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £6,889,000.

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 £2,384,000 (2016: £2,309,000).

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 31 December 2015	4,070	16,554	20,624
Additions at cost	—	606	606
At 31 December 2016	4,070	17,160	21,230
Additions at cost	**—**	**622**	**622**
Acquisition of subsidiary (note 34)	**903**	**—**	**903**
At 31 December 2017	**4,973**	**17,782**	**22,755**
Accumulated impairment losses and amortisation			
At 31 December 2015	2,306	12,561	14,867
Amortisation	—	1,251	1,251
Impairment losses for the year	203	—	203
At 31 December 2016	2,509	13,812	16,321
Amortisation	**—**	**870**	**870**
Impairment losses for the year	**203**	**—**	**203**
At 31 December 2017	**2,712**	**14,682**	**17,394**
Carrying amount			
At 31 December 2017	**2,261**	**3,100**	**5,361**
At 31 December 2016	1,561	3,348	4,909
At 31 December 2015	1,764	3,993	5,757

During the year the Group acquired the entire share capital of Premier Plant Tool Hire & Sales Limited, further information on the acquisition can be found in note 34. The assets and liabilities acquired were immediately hived up into the immediate parent company Banner Plant Limited, which sits in the Construction segment. The goodwill arising on the acquisition represents the excess of consideration over net assets acquired and is subject to an impairment test at the reporting date. The cash generating units assessed for impairment are the Leicester depots of Banner Plant Limited which were formerly Premier Plant Tool Hire & Sales Limited only operational sites.

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition represents the excess of consideration over net assets acquired and is subject to an impairment test at the reporting date. This company's subsidiary, Road Link (A69) Limited, operates a PFI concession which comprises managing and maintaining the A69 Carlisle to Newcastle trunk road. The company receives payment from 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 eight years to run, at the end of which the road reverts to Highways England. Whilst the impairment test demonstrates significant headroom, an impairment charge of £203,000 (2016: £203,000) has been recognised during the year to reflect 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.

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 31 December 2015	7,287	30,536	4,956	3,077	45,856
Additions at cost	—	4,048	1,404	432	5,884
Disposals	(208)	(1,662)	(1,310)	(226)	(3,406)
Transfers to assets held for sale	(275)	—	—	—	(275)
Increase in fair value in year	30	—	—	—	30
At 31 December 2016	6,834	32,922	5,050	3,283	48,089
Additions at cost	**1,987**	**3,444**	**971**	**788**	**7,190**
Acquisition of subsidiary (note 34)	**—**	**2,905**	**119**	**41**	**3,065**
Disposals	**—**	**(1,645)**	**(456)**	**(690)**	**(2,791)**
Transfers to assets held for sale	**—**	**—**	**—**	**408**	**408**
Decrease in fair value in year	**(379)**	**—**	**—**	**—**	**(379)**
At 31 December 2017	**8,442**	**37,626**	**5,684**	**3,830**	**55,582**
Being:					
Cost	**—**	**37,626**	**5,684**	**3,830**	**47,140**
Fair value at 31 December 2017	**8,442**	**—**	**—**	**—**	**8,442**
	8,442	**37,626**	**5,684**	**3,830**	**55,582**
Accumulated depreciation and impairment					
At 31 December 2015	402	20,110	2,377	1,983	24,872
Charge for year	—	2,860	762	400	4,022
Eliminated on disposals	(108)	(1,414)	(1,034)	(216)	(2,772)
At 31 December 2016	294	21,556	2,105	2,167	26,122
Charge for year	**—**	**3,549**	**831**	**519**	**4,899**
Impairment	**48**	**—**	**—**	**—**	**48**
Eliminated on disposals	**—**	**(1,348)**	**(352)**	**(272)**	**(1,972)**
At 31 December 2017	**342**	**23,757**	**2,584**	**2,414**	**29,097**
Carrying amount					
At 31 December 2017	**8,100**	**13,869**	**3,100**	**1,416**	**26,485**
At 31 December 2016	6,540	11,366	2,945	1,116	21,967
At 31 December 2015	6,885	10,426	2,579	1,094	20,984

At 31 December 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £459,000 (2016: £73,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2017 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 £8,100,000 (2016: £6,540,000). 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 £4,550,000 (2016: £2,611,000).

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	**2017 £'000**	2016 £'000	Increase in fair value in year
Freehold land	—	—	60	**60**	60	**—**
Buildings	—	—	8,040	**8,040**	6,480	**1,560**
Total fair value	—	—	8,100	**8,100**	6,540	**1,560**

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

Explanation of the fair value hierarchy:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – fair value measurements are those derived from the use of a model with inputs (other than quoted prices included in Level 1) that are observable from directly or indirectly observable market data; and

Level 3 – fair value measurements are those derived from use of a model with inputs that are not based on observable market data.

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

Class		Buildings
Valuation technique		Yield
Rental value per sq ft (£)	– weighted average	5.72
	– low	2.34
	– high	12.51
Yield %	– weighted average	8.15
	– low	6.98
	– high	10.35

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%	388
Rental value per sq ft – increase by £1 average	1,065

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.

12. Property, plant and equipment continued

Parent Company	Office equipment £'000
Cost	
At 31 December 2015	789
Additions	231
Disposals	(216)
At 31 December 2016	804
Additions	**426**
Disposals	**(215)**
At 31 December 2017	**1,015**
Depreciation	
At 31 December 2015	621
Charge for year	92
Disposals	(206)
At 31 December 2016	507
Charge for year	**162**
Disposals	**(213)**
At 31 December 2017	**456**
Carrying amount	
At 31 December 2017	**559**
At 31 December 2016	297
At 31 December 2015	168

13. Investment properties

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the fair values of investment properties recognised in the Statement of Financial Position by the degree to which the fair value is observable:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2017 £'000**	2016 £'000	**Increase/ (decrease) in fair value in year**
Completed investment property						
Industrial	—	—	23,075	**23,075**	14,700	**8,375**
Leisure	—	—	11,460	**11,460**	12,475	**(1,015)**
Mixed-use	—	—	52,355	**52,355**	53,564	**(1,209)**
Residential	—	—	3,600	**3,600**	3,720	**(120)**
Office	—	—	12,900	**12,900**	2,830	**10,070**
Retail	—	—	23,214	**23,214**	13,619	**9,595**
	—	—	126,604	**126,604**	100,908	**25,696**
Investment property under construction						
Industrial	—	—	299	**299**	525	**(226)**
Land	—	—	1,214	**1,214**	1,214	—
Office	—	—	—	—	7,556	**(7,556)**
Retail	—	—	4,660	**4,660**	13,460	**(8,800)**
	—	—	6,173	**6,173**	22,755	**(16,582)**
Total fair value	—	—	132,777	**132,777**	123,663	**9,114**

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.

13. Investment properties continued

Explanation of the fair value hierarchy:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – fair value measurements are those derived from the use of a model with inputs (other than quoted prices included in Level 1) that are observable from directly or indirectly observable market data; and

Level 3 – fair value measurements are those derived from use of a model with inputs that are not based on observable market data.

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

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

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

Completed investment property

Class Fair value hierarchy	Industrial Level 3 £'000	Leisure Level 3 £'000	Mixed-use Level 3 £'000	Residential Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	**2017 £'000**	2016 £'000
Fair value								
At 1 January	14,700	12,475	53,564	3,720	2,830	13,619	**100,908**	103,694
Subsequent expenditure on investment property	7,318	—	3,400	—	185	10,107	**21,010**	4,197
Capitalised letting fees	—	—	50	—	—	1	**51**	46
Amortisation of capitalised letting fees	(1)	(7)	(36)	—	—	(4)	**(48)**	(35)
Disposals	—	(1,584)	—	(426)	—	—	**(2,010)**	(8,170)
Transfers to assets held for sale	—	—	(2,000)	—	—	—	**(2,000)**	(775)
Transfer to inventories	—	—	—	(78)	—	—	**(78)**	(452)
Transfers from investment property under construction	—	—	—	—	9,334	—	**9,334**	1,322
Increase/(decrease) in fair value in year	1,058	576	(2,623)	384	551	(509)	**(563)**	1,081
At 31 December	23,075	11,460	52,355	3,600	12,900	23,214	**126,604**	100,908
Adjustment in respect of tenant incentives	—	264	1,115	—	—	488	**1,867**	2,017
Market value at 31 December	23,075	11,724	53,470	3,600	12,900	23,702	**128,471**	102,925

13. Investment properties continued

There is no actively traded market for the Group's commercial property and as such the adopted valuation is completed using the professional judgement of the Group's professional valuers, who use the yield method to determine fair value. The calculation of the capital value of a property under this method uses a yield to multiple against the rental income stream with due allowance for a fixed assumed purchasers cost. The primary variables of the yield method are thus: the yield, which is based on historic yields for properties that are similar but to which there may be adjustment to take into account factors such as geographical location and lease terms; and the contracted rent, which is based on contracted rents that exist at the balance sheet date, but may also include a provision for rents that may be achieved in the future after 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 2017 by Jones Lang LaSalle Limited or 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 £124,870,000 (2016: £99,205,000). 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 investment property being valued. The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the yield method valuation technique. The yield method of valuation involves applying market-derived capitalisation yields, and the actual or market-derived future income streams where appropriate, with adjustments for letting voids or rent-free periods as applicable to each property. For all investment properties, their current use equates to the highest and best use.

Residential properties are valued using recent comparable sales transactions with a significant unobservable input being the discount used, to reflect the lower value achieved where properties are held under an assured tenancy, that typically earn a low market level of rent. The discount applied recognises that the value is higher where the house is offered with the benefit of vacant possession at the end of the assured tenancy.

The fair value of the residential class at 31 December 2017 has been determined by the Directors of the Company at £3,600,000 (2016: £3,720,000). 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):

	2017					
Class	**Industrial**	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Valuation technique	Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£) – weighted average	**3.96**	**16.01**	**12.74**	**—**	**23.28**	**19.29**
– low	**3.39**	**1.67**	**2.70**	**—**	**19.46**	**9.09**
– high	**4.53**	**40.86**	**63.39**	**—**	**24.97**	**104.35**
Yield % – weighted average	**5.75**	**5.67**	**7.55**	**—**	**7.66**	**4.36**
– low	**5.11**	**4.69**	**5.50**	**—**	**7.62**	**4.53**
– high	**6.88**	**7.86**	**18.87**	**—**	**7.75**	**7.65**
% discount applied to houses held under assured tenancies	**—**	**—**	**—**	**25.00**	**—**	**—**

	2016					
Class	Industrial	Leisure	Mixed-use	Residential	Office	Retail
Valuation technique	Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£) – weighted average	4.53	16.38	12.60	—	19.46	13.89
– low	4.53	1.67	1.50	—	19.46	9.09
– high	4.53	40.86	53.50	—	19.46	21.41
Yield % – weighted average	5.68	5.79	7.87	—	9.05	4.84
– low	5.68	5.07	6.00	—	9.05	4.53
– high	5.68	7.86	18.94	—	9.05	7.65
% discount applied to houses held under assured tenancies	—	—	—	25.00	—	—

There is considered to be no inter-relationship between observable and unobservable inputs.

13. 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 2017 £'000					
	Industrial	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Yield – improvement by 0.5%	**2,079**	**1,027**	**3,720**	**—**	**796**	**2,462**
Rental value per sq ft – increase by £1 average	**6,326**	**680**	**3,474**	**—**	**559**	**1,043**
Tenancy discount – increase by 1%	**—**	**—**	**—**	**46**	**—**	**—**

	Impact on valuation 2016 £'000					
	Industrial	Leisure	Mixed-use	Residential	Office	Retail
Yield – improvement by 0.5%	1,190	1,017	3,420	—	147	1,209
Rental value per sq ft – increase by £1 average	3,253	788	4,490	—	146	876
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 £8,839,000 (2016: £8,250,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £459,000 (2016: £555,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £2,110,000 (2016: £1,103,000).

At 31 December 2017, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £1,141,000 (2016: £2,047,000).

Investment property under construction

Class **Fair value hierarchy**	Industrial Level 3 £'000	Land Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	**2017** **£'000**	2016 £'000
Fair value						
At 1 January	525	1,214	7,556	13,460	**22,755**	21,617
Subsequent expenditure on investment property	3	—	1,778	1,239	**3,020**	5,854
Capitalised letting fees	—	—	—	—	**—**	84
Amortisation of capitalised letting fees	—	—	—	—	**—**	(1)
Disposals	(229)	—	—	(413)	**(642)**	(613)
Transfer to assets held for sale	—	—	—	(6,592)	**(6,592)**	—
Transfer to inventories	—	—	—	—	**—**	—
Transfers to completed investment property	—	—	(9,334)	—	**(9,334)**	(1,322)
Decrease in fair value in year	—	—	—	(3,034)	**(3,034)**	(2,864)
At 31 December	**299**	**1,214**	**—**	**4,660**	**6,173**	22,755
Adjustment in respect of tenant incentives	—	—	—	—	**—**	—
Market value at 31 December	**299**	**1,214**	**—**	**4,660**	**6,173**	22,755

13. Investment properties continued

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

		2017			
Class		**Industrial**	**Land**	**Office**	**Retail**
Valuation technique		Residual	Sales comparison	Residual	Residual
Rental value per sq ft (£)	– weighted average	**–**	**–**	**–**	**1.69**
	– low	**–**	**–**	**–**	**1.69**
	– high	**–**	**–**	**–**	**1.69**
Yield %	– weighted average	**–**	**–**	**–**	**6.01**
	– low	**–**	**–**	**–**	**6.01**
	– high	**–**	**–**	**–**	**6.01**
Costs to complete per sq ft (£)	– weighted average	**–**	**–**	**–**	**2.20**
	– low	**–**	**–**	**–**	**2.20**
	– high	**–**	**–**	**–**	**2.20**
Land value per acre (£'000)	– weighted average	**111**	**201**	**–**	**–**
	– low	**111**	**102**	**–**	**–**
	– high	**111**	**1,276**	**–**	**–**

		2016			
Class		Industrial	Land	Office	Retail
Valuation technique		Residual	Sales comparison	Residual	Residual
Rental value per sq ft (£)	– weighted average	–	–	26.00	12.39
	– low	–	–	26.00	9.00
	– high	–	–	26.00	24.00
Yield %	– weighted average	–	–	6.50	6.65
	– low	–	–	6.50	6.50
	– high	–	–	6.50	6.94
Costs to complete per sq ft (£)	– weighted average	–	–	74.89	105.60
	– low	–	–	74.89	31.46
	– high	–	–	74.89	138.86
Land value per acre (£'000)	– weighted average	120	218	–	–
	– low	120	107	–	–
	– high	120	1,382	–	–

13. Investment properties continued

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

	Impact on valuation 2017 £'000			
	Industrial	Land	Office	Retail
Yield – improvement by 0.5%	—	—	—	(135)
Rental value per sq ft – increase by £1 average	—	—	—	2,011
Costs to complete – increase by 1%	—	15	—	16
Land value per acre – increase by 5%	—	204	—	—

	Impact on valuation 2016 £'000			
	Industrial	Land	Office	Retail
Yield – improvement by 0.5%	—	—	2,113	1,382
Rental value per sq ft – increase by £1 average	—	—	1,605	1,367
Costs to complete – increase by 1%	—	—	30	195
Land value per acre – increase by 5%	26	156	—	—

Investment properties under construction are developments which have been valued at 31 December 2017 at fair value by the Directors of the Company using the residual method at £6,173,000 (2016: £22,755,000). The residual method of valuation involves estimating the gross development value of the property using market-derived capitalisation yields and market-derived future income streams. From this gross development value the remaining gross development costs to be incurred are deducted, using market-derived data cost estimates or the actual known costs and including cost contingencies for construction risk as appropriate. In addition, a deduction for the anticipated development profits yet to be earned is made, taking into account the progress of the development to date in line with key milestones.

14. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2016, 31 December 2016 and 31 December 2017	**35,772**
Fair value adjustments	
At 1 January 2016	(32,751)
Provisions for losses	5,467
At 31 December 2016	(27,284)
Reversal of provisions for losses	15,244
At 31 December 2017	**(12,040)**
Carrying amount	
At 31 December 2017	**23,732**
At 1 January 2017	8,488
At 1 January 2016	3,021

The original cost of shares has been reduced by provisions for losses where necessary and enhanced where the Directors have considered it appropriate to reflect the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements were £1,115,000 in 1975 and £1,135,000 in 1989.

The improved net assets position of Henry Boot Developments in the current year gives rise to the reversal of provisions for losses previously recognised. The impairment reversals are included in the parent company's profit and loss.

Amounts due from and to subsidiary companies are listed in notes 16 and 21 and details of all subsidiary companies are listed in note 35. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of:

- Road Link (A69) Holdings Limited which is 61.2% owned by Henry Boot Construction Limited;
- Capitol Park Property Services Limited which is 5% owned by, and under board control of, Henry Boot Developments Limited;
- Stonebridge Homes Limited which is 50% owned by, and under board control of, Henry Boot Land Holdings Limited; and
- Stonebridge Offices Limited which is indirectly 50% owned by, and under board control of, Henry Boot Land Holdings Limited.

They are all incorporated in the United Kingdom. All subsidiary companies have only one class of ordinary issued share capital.

15. Investment in joint ventures and associates

Group	2017 Joint ventures £'000	2017 Associates £'000	2017 Total £'000	2016 Joint ventures £'000	2016 Associates £'000	2016 Total £'000
Cost						
At 1 January	3,627	1,521	5,148	2,290	1,500	3,790
Share of profit for the year	686	22	708	1,502	21	1,523
Additions	—	—	—	800	—	800
Dividends received	—	—	—	(965)	—	(965)
At 31 December	4,313	1,543	5,856	3,627	1,521	5,148

The Group's share of its joint ventures' and associates' aggregated assets, liabilities and results are as follows:

	2017 Joint ventures £'000	2017 Associates £'000	2017 Total £'000	2016 Joint ventures £'000	2016 Associates £'000	2016 Total £'000
Investment property	6,536	—	6,536	6,187	—	6,187
Current assets	1,515	1,550	3,065	3,409	1,530	4,939
Non-current assets	—	52	52	—	66	66
Total assets	8,051	1,602	9,653	9,596	1,596	11,192
Current liabilities	(438)	(59)	(497)	(2,639)	(75)	(2,714)
Non-current liabilities	(3,300)	—	(3,300)	(3,330)	—	(3,330)
Net investment	4,313	1,543	5,856	3,627	1,521	5,148

	2017 Joint ventures £'000	2017 Associates £'000	2017 Total £'000	2016 Joint ventures £'000	2016 Associates £'000	2016 Total £'000
Revenue	5,911	25	5,936	8,097	26	8,123
Administration and other expenses	(5,599)	(3)	(5,602)	(6,504)	(1)	(6,505)
Increase in fair value of investment properties	489	—	489	262	—	262
Operating profit	801	22	823	1,855	25	1,880
Finance costs	(119)	—	(119)	(98)	—	(98)
Profit before tax	682	22	704	1,757	25	1,782
Tax	4	—	4	(255)	(4)	(259)
Share of profits after tax	686	22	708	1,502	21	1,523

Details of the Group's investments in joint ventures and associates are listed in note 35.

16. Trade and other receivables

	Group 2017 £'000	Group 2016 £'000	Parent Company 2017 £'000	Parent Company 2016 £'000
Trade receivables	90,057	66,392	228	296
Prepayments	5,160	3,487	698	633
Amounts owed by related companies	865	2,634	—	—
Amounts owed by Group undertakings	—	—	181,381	190,822
	96,082	72,513	182,307	191,751
Due within one year	93,176	66,921	182,307	191,751
Due after more than one year	2,906	5,592	—	—
	96,082	72,513	182,307	191,751

Included in the Group's trade receivables balance are receivables with a carrying amount of £5.7m (2016: £5.1m) which are past due at the reporting date and for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

16. Trade and other receivables continued

Ageing of past due but not impaired trade receivables

	2017 £'000	2016 £'000
30–60 days	4,670	4,145
60–90 days	518	230
90–120 days	163	515
120+ days	347	247
	5,698	5,137

Movement in the allowance for doubtful receivables

	2017 £'000	2016 £'000
At 1 January	648	303
Impairment losses recognised	103	368
Amounts written off as uncollectable	(217)	(21)
Amounts recovered during the year	(43)	(2)
At 31 December	491	648

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	2017 £'000	2016 £'000
0–30 days	24	46
30–60 days	6	4
60–90 days	7	4
90–120 days	22	34
120+ days	432	560
	491	648

The Directors consider that the carrying amount of trade and other receivables of the Group and Parent Company approximates to their fair value.

Parent Company

Amounts owed by Group undertakings are unsecured and are stated net of provisions for irrecoverable amounts of £2,313,000 (2016: £2,390,000), of which £3,000 (2016: £3,000) has been provided in the year and £80,000 (2016: £1,861,000) has been recovered in the year.

The Parent Company has no impaired trade receivables.

Credit risk

The Group's principal financial assets are bank balances and cash, and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and its assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

17. Deferred tax

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

Group	Accelerated capital allowances £'000	Property revaluations £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 31 December 2015	356	239	3,523	205	4,323
Recognised in income	266	(242)	—	(65)	(41)
Recognised in other comprehensive income	—	3	964	—	967
At 31 December 2016	622	—	4,487	140	5,249
Recognised in income	**66**	**(50)**	**(217)**	**102**	**(99)**
Recognised in other comprehensive income	**—**	**50**	**(391)**	**—**	**(341)**
Acquisition of subsidiary (note 34)	**(196)**	**—**	**—**	**—**	**(196)**
At 31 December 2017	**492**	**—**	**3,879**	**242**	**4,613**
Parent Company					
At 31 December 2015	28	—	3,523	221	3,772
Recognised in income	—	—	—	(42)	(42)
Recognised in other comprehensive income	—	—	964	—	964
At 31 December 2016	28	—	4,487	179	4,694
Recognised in income	**1**	**—**	**(217)**	**105**	**(111)**
Recognised in other comprehensive income	**—**	**—**	**(391)**	**—**	**(391)**
At 31 December 2017	**29**	**—**	**3,879**	**284**	**4,192**

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 £3,208,000 (2016: £2,670,000). These assets have not been recognised as it is probable that in future periods there will be no suitable profits or gains available to the Group against which they may be relieved. There are no other significant unrecognised deferred tax assets and liabilities.

As a result of the change in the UK corporation tax rate from 20% to 19% effective from 1 April 2017, substantively enacted on 26 October 2015, and from 19% to 17% effective from 1 April 2020, substantively enacted on 6 September 2016, deferred tax balances at the year end have been measured at 17% (2016: 17%) being the rate at which timing differences are expected to reverse.

18. Inventories

	2017 £'000	2016 £'000
Property developments in progress	**20,281**	16,963
House builder land and work in progress	**22,640**	13,065
Land held for development or sale	**57,815**	70,087
Options to purchase land	**12,488**	10,664
Planning promotion agreements	**31,379**	27,136
	144,603	137,915

Within property developments in progress £619,000 (2016: £294,000) has been written down and recognised as an expense in the year. These costs relate to development projects no longer likely to proceed. Within land held for development, options to purchase land and planning promotion agreements £1,350,000 (2016: £2,923,000) 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.

19. Construction contracts

	2017 £'000	2016 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in trade receivables	30,932	17,638
Amounts due to contract customers included in trade payables	(3,225)	(4,656)
	27,707	12,982
Contract costs incurred plus recognised profits less recognised losses to date	630,207	490,693
Less: progress billings	(602,500)	(477,711)
	27,707	12,982

At 31 December 2017, retentions held by customers for contract work amounted to £1,838,000 (2016: £1,614,000). Advances received from customers for contract work amounted to £3,225,000 (2016: £4,656,000).

20. Assets classified as held for sale

Assets classified as held for sale are investment properties, within the Property Investment and Development segment, which are individually being actively marketed for sale with expected completion dates within one year.

Assets classified as held for sale comprise the following:

	Investment property	
	2017 £'000	2016 £'000
Fair value		
At 1 January	1,050	—
Transfer from investment property (note 13)	2,000	775
Transfer from property, plant and equipment (note 12)	—	275
Disposals	(1,050)	—
At 31 December	2,000	1,050
Adjustment in respect of tenant incentives	—	—
Market value at 31 December	2,000	1,050

Assets classified as held for sale have been valued at 31 December 2017 at fair value by the Directors of the Company at £2,000,000 (2016: £1,050,000).

21. Trade and other payables

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	71,858	54,077	1,998	1,340
Social security and other taxes	3,075	3,263	526	333
Accrued expenses	1,713	1,368	796	773
Deferred income	5,308	7,010	—	—
Amounts owed to related parties	159	46	—	—
Amounts owed to Group undertakings	—	—	68,847	71,243
	82,113	65,764	72,167	73,689
Due within one year	79,429	61,149	72,167	73,689
Due after more than one year	2,684	4,615	—	—
	82,113	65,764	72,167	73,689

The Directors consider that the carrying amount of trade payables approximates to their fair value.

22. Government grants

Government grants have been received in relation to the infrastructure of one of the Group's Land Promotions and three 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 £nil (2016: £18,000).

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.

23. 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 2017 this was £29.0m (2016: £32.9m). Equity comprises all components of equity and at 31 December 2017 this was £270.1m (2016: £233.6m).

During 2017 the Group's strategy, which was unchanged from previous years, was to maintain the debt to equity ratio below 50%. This level was chosen to ensure that we can access debt relatively easily and inexpensively if required.

In February 2015, the Group concluded negotiations with its three banking partners to put in place a £60m facility to replace the £50m facility we had in place at 31 December 2014. The renewed facilities commenced on 17 February 2015, with a renewal date of 17 February 2018 and an option to extend the facility by one year, each year, for the next two years occurring on the anniversary of the facility. On 17 February 2017 we exercised our option to extend the facilities by a further year to 17 February 2020 and on 22 August 2017 we agreed an amendment to increase the facility to £72m. The renewed facilities, on improved terms, maintain covenants on the same basis as the previous facilities.

The Group's secured bank facilities are subject to covenants over loan-to-market value of investment properties, interest cover, gearings and minimum consolidated tangible assets value.

The Group has other bank debt on which there are also covenant requirements. The Group operated comfortably within all of its requirements throughout the year.

24. Borrowings

	Group		Parent Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Bank overdrafts	**—**	—	**123**	1,008
Bank loans	**30,599**	32,684	**25,000**	30,000
Finance leases	**2,544**	—	**—**	—
Government loans	**6,119**	7,580	**—**	—
	39,262	40,264	**25,123**	31,008
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	**34,786**	33,648	**25,123**	31,008
In the second year	**3,055**	4,323	**—**	—
In the third to fifth years inclusive	**2,198**	2,967	**—**	—
	40,039	40,938	**25,123**	31,008
Due within one year	**34,786**	33,648	**25,123**	31,008
Due after one year	**5,253**	7,290	**—**	—
	40,039	40,938	**25,123**	31,008

The weighted average interest rates paid were as follows:

	2017 %	2016 %
Bank overdrafts	**2.10**	2.42
Bank loans – floating rate	**1.94**	2.12
Bank loans – floating rate (relating to Stonebridge Offices Limited)	**2.83**	2.97
Bank loans – floating rate (relating to Stonebridge Homes Limited)	**2.29**	2.38
Finance leases	**3.00**	—
Government loans	**1.48**	2.37

Bank overdrafts are repayable on demand.

Borrowings are recognised at fair value, where the fair values are based on cash flows discounted using variable market rates.

Liquidity risk

The Company's objectives when managing liquidity are:

- to safeguard the Group's ability to meet expected and unexpected payment obligations at all times; and
- to maximise the Group's profitability.

Interest on floating rate borrowings is arranged for periods from one to six months. These borrowings are secured by a fixed and floating charge over the assets of the Group excluding those of Road Link (A69) Limited, Stonebridge Offices Limited and Stonebridge Homes Limited.

The Stonebridge Offices Limited bank loan is secured by a specific charge over the freehold property of that company and is without recourse to the rest of the Group. The loan was renewed on 29 October 2014 and is repayable in quarterly instalments of £31,250 that commenced on 11 December 2014, with full and final settlement becoming due on 11 December 2018.

The Stonebridge Homes Limited revolving loan facility is secured by a specific charge over the freehold property of that company and is guaranteed by Henry Boot PLC. The loan can be drawn against on a monthly basis and was first drawn against on 22 April 2016. The loan is repayable from the proceeds of residential house sales with full and final settlement becoming due on 22 April 2019.

Government loans from the South West of England Regional Development Agency (SWE) and Sedgemoor District Council (SDC) were issued at a borrowing rate of nil%; their fair values are £1,755,000 (2016: £2,381,000) and £319,000 (2016: £319,000) respectively.

24. Borrowings continued

Government loans from the Homes and Communities Agency (HCA) were issued with a fixed level of interest of £353,000 (2016: £398,000); their fair values are £3,285,000 (2016: £3,760,000) (Education Campus) and £760,000 (2016: £1,120,000) (Phase II Road Infrastructure).

As a result, the Company has no exposure to interest rate changes in relation to these borrowings. The Company's exposure to indexation risk may result in an increase in the value of repayments, causing the loans to be settled at an earlier date.

The Government loans were received to fund specific residential construction expenditure.

Repayment of the SWE loan commenced during 2013, being three years after the quarter date of the construction completion of the first residential unit. Repayments of £300,000 (2016: £300,000) were made during the year. The repayments are calculated at £8,000 per residential unit, are linked to the Land Registry House Price Index and are subject to certain minimum repayment amounts.

Repayment of the SDC loan is to be made in full upon the occupation of the 550th dwelling.

Repayment of the Education Campus HCA loan commenced during the year upon the occupation of the first dwelling and follows for each occupation thereafter until the total contribution sum is repaid in full. Repayments of £474,279 (2016: £446,056) were made during the year. The repayments are calculated at £8,587 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). The base figure of £8,587 is reviewed following the occupation of the first 300 dwellings and every 300 dwellings thereafter in addition to every second anniversary of the loan agreement date and any date after 2022 following notice served from the HCA. If the HCA is not satisfied that the base rate will guarantee repayment of the total contribution sum before the completion of the last residential unit, it has the right to increase the base figure accordingly. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

Repayment of the Phase II Road Infrastructure HCA loan commenced during 2015 upon the occupation of the 1,151st dwelling. Repayments of £363,027 (2016: £354,808) were made during the year. The repayments are calculated at £3,675 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). If the relevant number of dwellings is not met by 31 December of each year until 2019, advance payments will be required. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Based on approximate average borrowings during 2017, a 1.0% (2016: 1.0%) change in interest rates, which the Directors consider to be a reasonably possible change, would affect profitability before tax by £347,000 (2016: £406,000).

The fair value of the Group's borrowings is not considered to be materially different from the carrying amounts.

At 31 December 2017, the Group had available £47,000,000 (2016: £32,500,000) undrawn committed borrowing facilities.

Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2017 £'000	2016 £'000
Gross finance lease liabilities – minimum lease payments:		
No later than one year	962	—
Later than one year and no later than five years	1,378	—
	2,340	—
Future finance charges on finance lease liabilities	204	—
Present value of finance lease liabilities	2,544	—

24. Borrowings continued

The present value of finance lease liabilities is as follows:

	2017 £'000	2016 £'000
No later than one year	1,066	—
Later than one year and no later than five years	1,478	—
	2,544	—

The carrying amount of the Group's lease obligations approximates to their fair value.

25. Provisions

	Land promotion £'000	Road maintenance £'000	Total £'000
At 31 December 2016			
Included in current liabilities	5,333	1,336	6,669
Included in non-current liabilities	2,451	—	2,451
	7,784	1,336	9,120
Additional provisions in year	424	1,120	1,544
Unwinding of discount	—	—	—
Utilisation of provisions	(1,930)	(745)	(2,675)
At 31 December 2017	6,278	1,711	7,989
Included in current liabilities	3,891	1,711	5,602
Included in non-current liabilities	2,387	—	2,387
	6,278	1,711	7,989

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 £88,000 and £304,000 respectively (2016: £93,000 and £379,000).

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 £157,000 (2016: £129,000).

Other provisions include any liabilities where the Directors anticipate that a present obligation would result in a future outflow of resources, including legal and regulatory penalties or claims, being taken into account in the Financial Statements.

25. Provisions continued

Off balance sheet arrangements

The Group is currently undertaking the infrastructure of land promotions at Bridgwater and Cranbrook, spanning 122 and 53 acres respectively (2016: 122 and 53). The Group is liable for various planning and infrastructure obligations required to be met under section agreements imposed by the local Councils. The Group shares its planning and infrastructure obligations relating to the Cranbrook site with two other parties, the Group's share being 30%. These shared obligations are secured by performance bonds and legal charges. The Group deems the possibility of default by the other parties as highly remote. The infrastructure of these developments is anticipated to continue until 2020 and 2025 respectively, with costs being incurred throughout these periods.

The Group has historically disposed of 105 and 24 acres respectively (2016: 94 and 24), and has subsequently recognised provisions to the value of £6,278,000 (2016: £7,783,000), 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 £4,434,932 (2016: £5,885,000), has therefore not been recognised in these Financial Statements.

26. 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 4% (2016: 4%) 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 £1,730,000 (2016: £1,220,000) represents contributions payable to the plan by the Group.

Defined benefit pension scheme

The Group sponsors a funded defined benefit pension scheme in the UK. The scheme is administered within a trust which is legally separate from the Group. Trustees are appointed by both the Group and the scheme's membership and act in the interest of the scheme and all relevant stakeholders, including the members and the Group employers. The Trustees are also responsible for the investment policy for the scheme's assets.

Existing scheme members continue to accrue benefits, but the scheme is closed to new entrants. Members accrue an annual pension of either 1/45th or 1/60th of final pensionable salary for each year of pensionable service. Increases in pensionable salary are limited to 1% per annum. Once in payment, pensions increase in line with inflation. The scheme also provides a two-thirds spouse's pension on the death of a member.

Active members of the scheme pay contributions at the rate of either 5% or 7% of pensionable salary and the Group employers pay the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme, whereas the accounting assumptions must be best estimates.

The Group has not recognised any obligation under a minimum funding requirement as it is entitled to a refund of any residual assets once all members have left the scheme.

The scheme poses a number of risks to the Group. These include:

Investment risk

The present value of obligations is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on the scheme's assets is below this rate the scheme deficit will increase.

Interest rate risk

A decrease in the yield on high-quality corporate bonds will reduce the discount rate and thus increase the value placed on the scheme's liabilities. However, this would be partially offset by an increase in the value of the scheme's bond investments.

Inflation risk

The present value of the liabilities is calculated by reference to a best estimate of future inflation. If inflation turns out to be higher than this estimate then the deficit will increase.

26. Retirement benefit obligations continued

Longevity risk

The present value of the liabilities is calculated using a best estimate of the life expectancy of scheme members. An increase in life expectancies will increase the scheme's liabilities.

A formal actuarial valuation was carried out as at 31 December 2015. The results of that valuation have been projected to 31 December 2017 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

The main financial assumptions used in the valuation of the liabilities of the scheme under IAS 19 are:

	2017 %	2016 %
Retail Prices Index (RPI)	**3.00**	3.00
Consumer Prices Index (CPI)	**2.00**	2.00
Pensionable salary increases	**1.00**	1.00
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.00**	2.00
Revaluation of deferred pensions	**2.00**	2.00
Liabilities discount rate	**2.50**	2.80

Mortality assumptions	2017 Years	2016 Years
Retiring today (aged 65)		
Male	**22.1**	22.1
Female	**24.1**	24.2
Retiring in 20 years (currently aged 45)		
Male	**23.2**	23.4
Female	**25.3**	25.7

The mortality assumptions adopted are the Self Administered Pension Schemes (SAPS) tables with allowance for future improvements in line with Continuous Mortality Investigation (CMI) 2015 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 3.4%	Decrease by 3.3%
Rate of general increases in salaries	0.25%	Nil*	Nil*
Liabilities discount rate	0.25%	Decrease by 4.1%	Increase by 4.3%
Rate of mortality	1 year	Increase by 4.1%	Decrease by 3.9%

* Increases in salaries above the 1% assumed would not affect the scheme liabilities as future increases in pensionable salaries are to be capped at a maximum of 1% per annum.

26. Retirement benefit obligations continued

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of the scheme are as follows:

	2017 £'000	2016 £'000
Service cost:		
Current service cost	1,065	1,112
Ongoing scheme expenses	507	493
Net interest expense	712	691
Pension Protection Fund	156	168
Pension expenses recognised in profit or loss	2,440	2,464
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(9,831)	(12,528)
Actuarial (gains)/losses arising from changes in demographic assumptions	(1,733)	1,590
Actuarial losses arising from changes in financial assumptions	9,258	22,972
Actuarial gains arising from experience adjustments	—	(3,077)
Actuarial (gains)/losses recognised in other comprehensive income	(2,306)	8,959
Total	134	11,422

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of the scheme is as follows:

	2017 £'000	2016 £'000
Present value of scheme obligations	197,365	190,974
Fair value of scheme assets	(174,540)	(164,578)
	22,825	26,396

This amount is presented in the Statement of Financial Position as follows:

	2017 £'000	2016 £'000
Non-current liabilities	22,825	26,396

Movements in the present value of scheme obligations in the year were as follows:

	2017 £'000	2016 £'000
At 1 January	190,974	170,214
Current service cost	1,065	1,112
Interest on obligation	5,259	6,336
Contributions from scheme members	1	2
Actuarial losses	7,525	21,486
Benefits paid	(7,459)	(8,176)
At 31 December	197,365	190,974

26. Retirement benefit obligations continued

Movements in the fair value of scheme assets in the year were as follows:

	2017 £'000	2016 £'000
At 1 January	164,578	150,637
Interest income	4,547	5,645
Actuarial gains on scheme assets	9,831	12,528
Employer contributions	3,549	4,435
Contributions from scheme members	1	2
Benefits paid	(7,459)	(8,176)
Ongoing scheme expenses	(507)	(493)
At 31 December	174,540	164,578

The categories of plan assets are as follows:

	2017 £'000	2016 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	44,675	40,207
Synthetic equity	13,297	11,093
Diversified growth funds	34,475	38,559
Corporate bonds	—	20,127
Diversified credit funds	37,377	26,487
Cash and net current assets	903	5,238
Unquoted investments:		
Direct lending	19,833	10,835
Collateralised loan obligations	22,301	12,032
Special situations	1,679	—
At 31 December	174,540	164,578

Included in equities are nil (2016: 670,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £nil (2016: £1,350,050).

The weighted average duration of the defined benefit obligation is 16.3 years (2016: 16.6 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2018 financial year is £3,565,000, being £3,563,000 payable by the Group and £2,000 payable by scheme members.

The Company's level of recovery plan funding to the scheme is £2,500,000 per annum, which will be reviewed at the next triennial valuation. In addition to this, the Company contributes a further £260,000 per annum towards the administration expenses of the scheme.

27. Operating leases

The Group as lessee

	2017 £'000	2016 £'000
Minimum lease payments under operating leases recognised in the Consolidated Statement of Comprehensive Income for the year	391	295

At 31 December 2017, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 £'000	2016 £'000
Within one year	350	299
In the second to fifth years inclusive	1,157	879
After five years	635	578
	2,142	1,756

Operating lease payments represent rentals payable by the Group for certain of its office properties. The rents payable are subject to renegotiation at various intervals specified in the leases.

The Group as lessor

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

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

	2017 £'000	2016 £'000
Within one year	8,140	7,458
In the second to fifth years inclusive	28,758	27,814
After five years	84,349	73,314
	121,247	108,586

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	2017 £'000	2016 £'000
Management charges receivable	1,140	1,140
Interest receivable	6,282	7,481
Interest payable	(1,911)	(2,215)
Rents payable	(155)	(154)
Recharge of expenses	459	116

Transactions between the Company and its remaining related parties are as follows:

Purchases of goods and services	2017 £'000	2016 £'000
Close family members of key management personnel (amounts paid for IT services)	39	44
Related companies of key management personnel (amounts paid for Non-executive Director services)	44	42

Amounts owing by related parties (note 16) or to related parties (notes 21 and 24) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

28. Related party transactions continued

Remuneration of key management personnel

The key management personnel of the Group are the Board of Directors and members of the Senior Management team of wholly owned subsidiaries, as presented on page 58 to 60. They are responsible for making all of the strategic decisions of the Group and its subsidiaries, as detailed on page 2 and 11. The remuneration of the Board of Directors is set out in the Remuneration Report on pages 74 to 91. The remuneration of the relevant four (2016: 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'.

	2017 £'000	2016 £'000
Short-term employee benefits	**1,660**	1,228
Post-employment benefits	**27**	32
	1,687	1,260

29. Share capital

	Allotted, issued and fully paid	
	2017 £'000	2016 £'000
400,000 5.25% cumulative preference shares of £1 each (2016: 400,000)	**400**	400
133,010,911 ordinary shares of 10p each (2016: 132,080,138)	**13,301**	13,208
	13,701	13,608

The Company has one class of ordinary share which carries no rights to fixed income but which entitles the holder thereof to receive notice and attend and vote at general meetings or appoint a proxy to attend on their behalf.

Subject to Board approval, the preference shares carry the right to a cumulative preferential dividend payable half yearly at the rate of 5.25% per annum. They also carry a right, in priority to the ordinary equity, on a return of assets on a winding-up or reduction of capital, to repayment of capital, together with the arrears of any preferential dividend. With the exception of any resolution proposed to directly affect the rights or privileges of the holders of the preference shares, the holders thereof are not entitled to receive notice 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 23 October 2014 at a price of 172.0p at a discount of just over 9.5% and on 24 October 2017 at a price of 270.0p at a discount of 10%. These become exercisable for a six-month period from 1 December 2017 and 1 December 2020 respectively. There are no performance criteria attached to the exercise of these options which are normally capable of exercise up to six months after the third anniversary of the Sharesave contract commencement date. The right to exercise options terminates if a participating employee leaves the Group, subject to certain exceptions.

	Options outstanding at 31 December 2016	Options granted	Options lapsed	Options exercised	**Options outstanding at 31 December 2017**
October 2014 grant	950,185	**—**	**(19,721)**	**(824,773)**	**105,691**
October 2017 grant	—	**968,013**	**(6,665)**	**—**	**961,348**

The weighted average share price at the date of exercise for share options exercised during the year was 299.98p (2016: 196.82p).

(ii) The Henry Boot 2006 Long Term Incentive Plan

This plan was approved by shareholders at an EGM held on 20 July 2006. Details of the Plan and the vesting requirements are set out in the Directors' Remuneration Policy which is available to view on the website: www.henryboot.co.uk/about-us/governance.

29. Share capital continued

(iii) 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) and (iii) above, the aggregate total of movements in share options granted and awards of shares is as follows:

	2017 Number	2016 Number
Share options granted at 1 January	881,481	903,060
Lapses of share options in year	(148,194)	(205,389)
Awards of shares in year	(295,475)	(113,714)
Share options granted in year	584,836	297,524
Share options granted at 31 December	1,022,648	881,481

The weighted average share price at the date of exercise for share options exercised during the year was 295.02p (2016: 197.50p).

(iv) 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. There were no performance conditions imposed on either of these grants.

	Options outstanding at 31 December 2016	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2017
May 2011 grant	42,000	—	—	(26,000)	16,000
October 2014 grant	145,000	—	—	(80,000)	65,000
October 2017 grant	—	149,747	—	—	149,747

The weighted average share price at the date of exercise for share options exercised during the year was 291.08 (2016: nil).

Fair value

Fair value is measured by a Monte Carlo pricing model using the following assumptions:

	LTIP	CSOP 2011 grant	CSOP 2014 grant	Sharesave 2014	CSOP 2017	Sharesave 2017
Weighted average exercise price	Nil	121.5p	191.0p	172.0p	298.9	270.0
Weighted average share price	225.6p	121.5p	191.0p	181.0p	309.0	300.0
Expected volatility	30.72% to 32.10%	41.47%	31.17%	31.45%	30.37	30.30
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Risk-free rate	0.14% to 1.26%	1.67%	1.23%	0.82%	0.51%	0.51%
Expected dividend yield	2.71% to 3.16%	5.02%	3.16%	3.16%	3.02%	3.02%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

The weighted average fair value of share options granted during the year was 76.90p (2016: 97.69p).

29. Share capital continued

Expense recognised in the Consolidated Statement of Comprehensive Income

	2017 £'000	2016 £'000
The total expense recognised in the Consolidated Statement of Comprehensive Income arising from share-based payment transactions	554	510

The total expense recognised in the Consolidated Statement of Comprehensive Income arose solely from equity-settled share-based payment transactions.

30. Reserves

			Other			
Group	Property revaluation £'000	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Total other £'000
At 31 December 2015	3,964	197,895	271	4,068	209	4,548
Profit for the year	—	28,259	—	—	—	—
Dividends paid	—	(8,318)	—	—	—	—
Premium arising from shares issued	—	—	—	63	—	63
Increase in fair value in year	30	—	—	—	—	—
Deferred tax on revaluation surplus	3	—	—	—	—	—
Realised revaluation surplus	(118)	118	—	—	—	—
Arising on employee share schemes	—	277	—	—	—	—
Unrecognised actuarial loss	—	(8,959)	—	—	—	—
Current tax on actuarial loss	—	428	—	—	—	—
Deferred tax on actuarial loss	—	964	—	—	—	—
At 31 December 2016	3,879	210,664	271	4,131	209	4,611
Profit for the year	—	42,368	—	—	—	—
Dividends paid	—	(9,628)	—	—	—	—
Premium arising from shares issued	—	—	—	1,510	—	1,510
Decrease in fair value in year	(379)	—	—	—	—	—
Deferred tax on revaluation surplus	50	—	—	—	—	—
Arising on employee share schemes	—	(59)	—	—	—	—
Unrecognised actuarial gain	—	2,306	—	—	—	—
Deferred tax on actuarial gain	—	(391)	—	—	—	—
At 31 December 2017	**3,550**	**245,260**	**271**	**5,641**	**209**	**6,121**

30. Reserves continued

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Investment revaluation £'000	Other: Total other £'000
At 31 December 2015	49,608	271	4,068	211	1,135	5,685
Profit for the year	21,038	—	—	—	—	—
Dividends paid	(8,318)	—	—	—	—	—
Premium arising from shares issued	—	—	63	—	—	63
Arising on employee share schemes	74	—	—	—	—	—
Unrecognised actuarial loss	(8,959)	—	—	—	—	—
Current tax on actuarial loss	428	—	—	—	—	—
Deferred tax on actuarial loss	964	—	—	—	—	—
At 31 December 2016	54,835	271	4,131	211	1,135	5,748
Profit for the year	**25,425**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**(9,628)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**1,510**	**—**	**—**	**1,510**
Arising on employee share schemes	**(305)**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial gain	**2,306**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial gain	**(391)**	**—**	**—**	**—**	**—**	**—**
At 31 December 2017	**72,242**	**271**	**5,641**	**211**	**1,135**	**7,258**

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.

Capital redemption reserve

The capital redemption reserve represents the purchase and cancellation by the Company of its own shares and comprises the aggregate nominal value of all the ordinary shares repurchased and cancelled.

Share premium reserve

The share premium reserve represents the difference between the sums received from the issue of shares and their nominal value net of share issue expenses. This reserve is not distributable.

Capital reserve

The capital reserve represents realised profits arising on the disposal of investments and is available for distribution.

Investment revaluation reserve

The investment revaluation reserve represents enhancements to the original cost of shares in subsidiary companies where the Directors have considered it appropriate to reflect in the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements were £1,135,000 in 1989 and are not distributable.

31. Cost of shares held by the ESOP trust

	2017 £'000	2016 £'000
At 1 January	1,071	345
Additions	782	959
Disposals	(613)	(233)
At 31 December	**1,240**	1,071

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 2017, the Trustee held 523,597 shares (2016: 523,606 shares) with a cost of £1,240,416 (2016: £1,071,330) and a market value of £1,670,276 (2016: £1,055,066). All of these shares were committed to satisfy existing grants by the Company under the Henry Boot PLC 2006 Long Term Incentive Plan, the Henry Boot PLC 2015 Long Term Incentive Plan, the Henry Boot PLC 2010 Sharesave Scheme and the Henry Boot PLC 2010 Company Share Option Plan. In accordance with IAS 32, these shares are deducted from shareholders' funds. Under the terms of the Trust, the Trustee has waived all dividends on the shares it holds.

32. Cash generated from operations

		Group		Parent Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Profit before tax		55,392	39,491	23,452	22,191
Adjustments for:					
Amortisation of PFI asset	11	870	1,251	—	—
Goodwill impairment	11	204	203	—	—
Depreciation of property, plant and equipment	12	4,899	4,022	162	92
Impairment of land and buildings	12	48	—	—	—
Revaluation decrease in investment properties	13	3,597	1,783	—	—
Amortisation of capitalised letting fees	3	48	36	—	—
Share-based payment expense	4	554	510	307	307
Pension scheme credit		(1,265)	(2,140)	(1,265)	(2,140)
Movements on provision against investments in subsidiaries	14	—	—	(15,244)	(5,467)
Movements on provision against loans to subsidiaries		—	—	(77)	(1,858)
Loss on disposal of assets held for sale	3	98	—	—	—
(Gain)/loss on disposal of property, plant and equipment	3	(380)	(506)	2	10
Gain on disposal of investment properties		(127)	(647)	—	—
Finance income	5	(189)	(156)	(33,238)	(22,695)
Finance costs	6	1,703	1,670	2,757	3,145
Share of profit of joint ventures and associates	15	(708)	(1,523)	—	—
Operating cash flows before movements in equipment held for hire		64,744	43,994	(23,144)	(6,415)
Purchase of equipment held for hire	12	(3,283)	(4,048)	—	—
Proceeds on disposal of equipment held for hire		654	648	—	—
Operating cash flows before movements in working capital		62,115	40,594	(23,144)	(6,415)
(Increase)/decrease in inventories		(6,500)	1,478	—	—
(Increase)/decrease in receivables		(22,975)	(7,515)	20,247	14,242
Increase/(decrease) in payables		13,698	(6,012)	(1,549)	(9,716)
Cash generated from/(used by) operations		46,338	28,545	(4,446)	(1,889)

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.

The Parent Company has given cross guarantees to certain of the Group's bankers and bondsmen in respect of facilities available to Group undertakings in the normal course of business. Guarantees relating to bonds are impracticable to quantify.

In the opinion of the Directors, no loss is expected to arise in connection with these matters.

34. Business combinations

On 1 April 2017 the Group acquired 100% of the share capital of Premier Plant Tool Hire & Sales Limited for consideration of £2,800,000.

Premier Plant Tool Hire & Sales Limited will trade under the Banner brand and will increase Banner's presence in the East Midlands market. The goodwill arising on acquisition is attributable to the acquired customer base and economies of scale expected from the combined operations. None of the goodwill is expected to be deductible for corporation tax purposes.

The following table summarises the consideration paid for Premier Plant Tool Hire & Sales Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	2017 £'000
Business combinations	
Consideration paid 1 April 2017	
Cash	2,400
Deferred consideration paid 23 June 2017	
Cash	400
	2,800

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	89
Property, plant and equipment	3,065
Inventories	4
Trade and other receivables	948
Trade and other payables	(2,013)
Provisions for liabilities	(196)
Total identifiable net assets	1,897
Goodwill	903
Total	2,800

Acquisition-related costs of £113,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2017.

The assets acquired as part of the business combination are all considered to be at fair value and all receivables deemed to be fully recoverable.

The revenue included in the consolidated statement of comprehensive income for the year ended 31 December 2017 was £2,668,000. Premier Plant Tool Hire & Sales Limited also contributed profit before tax of £233,000 over the same period.

Had Premier Plant Tool Hire & Sales Limited been consolidated from 1 January 2017, the consolidated statement of comprehensive income would show pro-forma revenue of £3,559,000 and profit before tax of £311,000.

35. Additional information – subsidiaries, joint ventures and associates

Details of the Company's subsidiaries, joint ventures and associates, all of which are incorporated in England (unless otherwise stated) and are consolidated in the Group Financial Statements at 31 December 2017, are as follows:

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Banner Plant Limited	100%	Direct	Plant hire
Buffergone Limited	100%	Direct	Construction
Capitol Park Property Services Limited	5%	Indirect	Property development
Chocolate Works York Management Company Limited	100%	Indirect	Management company
Comstock (Kilmarnock) Limited	100%	Indirect	Land promotion
First National Housing Trust Limited	100%	Direct	Property investment
Fox Valley Management Company Limited	100%	Indirect	Management company
Hallam Land Management Limited	100%	Direct	Land promotion
Henry Boot Biddenham Limited	100%	Direct	Land promotion
Henry Boot Contracting Limited	100%	Direct	Inactive
Henry Boot Construction Limited	100%	Direct	Construction
Henry Boot Developments Limited	100%	Direct	Property investment and development
Henry Boot Estates Limited	100%	Direct	Property investment
Henry Boot Investments 1 Limited	100%	Indirect	Property development
Henry Boot Inner City Limited	100%	Direct	Inactive
Henry Boot 'K' Limited	100%	Indirect	Property investment and development
Henry Boot Land Holdings Limited	100%	Direct	Land promotion
Henry Boot (Launceston) Limited	100%	Direct	Land promotion
Henry Boot Leasing Limited	100%	Direct	Motor vehicle leasing to Group companies
Henry Boot (Manchester) Limited	100%	Direct	Property development
Henry Boot Nottingham Limited	100%	Indirect	Inactive
Henry Boot Projects Limited	100%	Direct	Property investment and development
Henry Boot Swindon Limited	100%	Direct	Land promotion
Henry Boot Tamworth Limited	100%	Indirect	Property investment and development
Henry Boot Wentworth Limited	100%	Direct	Property development
Henry Boot Whittington Limited	100%	Direct	Property investment
Investments (North West) Limited	100%	Indirect	Property development
Marboot Centregate Limited	100%	Indirect	Property investment
Marboot Centregate 2 Limited	100%	Indirect	Inactive
Moore Street Securities Limited	100%	Direct	Employee benefit trust
Northfields Rotherham Management Company Limited	100%	Indirect	Management company
Plot 7 East Markham Vale Management Company Limited	100%	Indirect	Management company
Road Link (A69) Holdings Limited	61.2%	Indirect	Holding company
Road Link (A69) Limited	100%	Indirect	PFI road maintenance
Road Link Limited	100%	Indirect	Inactive
Saltwoodend Limited	100%	Indirect	Inactive
Stonebridge Offices Limited	50%	Indirect	Property investment and development
Stonebridge Homes Limited	50%	Indirect	Property development
The Residence (York) Management Company Limited	100%	Indirect	Management company
Victoria Gardens (Headingley) Management Company Limited	100%	Indirect	Management company
Winter Ground Limited	100%	Indirect	Property investment and development
Woodside Park Newlay Estate Management Limited	100%	Indirect	Management company

35. 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
Henry Boot Barnfield Limited	50%	Indirect	Property development
I-Prop Developments Limited	50%	Indirect	Property development
Kampus Holdings Sarl	5%	Indirect	Property investment and development
Kirklees Henry Boot Partnership Limited	50%	Indirect	Inactive
Markey Colston Limited	27.33%	Indirect	Property development
Pennine Property Partnership LLP	50%	Indirect	Property investment and development

The address of the registered office of all subsidiaries 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.

Woodside Park Newlay Estate Management Company Limited, Fox Valley Management Company Limited and Victoria Gardens (Headingley) Management Company Limited whose registered office is 1 Featherbank Court, Horsforth, Leeds, LS18 4QF.

Henry Boot Barnfield Limited whose registered office is 8 Kenyon Road, Lomeshaye Industrial Estate, Nelson, Lancashire, England, BB9 5SP.

Kampus Holdings Sarl whose registered office is 2, rue Albert Borschette, L-1246 Luxembourg.

Kirklees Henry Boot Partnership Limited whose registered office is Legal Services, 2nd Floor Civic Centre 3, Huddersfield, West Yorkshire, HD1 2WZ.

Markey Colston Limited whose registered office is Q1 Quadrant Way, Hardwicke, Gloucester, GL2 2RN.