STRATEGIC REPORT

The Directors present the Group Strategic Report for the year ended 31 December 2017.

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

The Strategic Report on pages 14 to 53 has been approved by the Board and signed on its behalf by

JOHN SUTCLIFFE Chief Executive Officer	DARREN LITTLEWOOD Group Finance Director
20 April 2018	20 April 2018

BUILT FROM THE GROUND UP

JOHN SUTCLIFFE
Chief Executive Officer

Watch the video explaining our culture and the **'One Henry Boot'** Project on our corporate website

In last year's report we introduced the 'One Henry Boot' Project. It was initiated to capture our culture, which we refer to as 'The Henry Boot Way'; and to focus on three of its core elements: Our Purpose, Our Vision and Our Values. To ensure this project was authentic to Henry Boot we asked for volunteers from across our Group of companies, who we then divided into three individual Working Groups. It was a truly collaborative effort from everyone involved and by the end of June 2017, the first phase of the project was completed.

We are currently on phase 2, which we have split into three separate stages: launch, adoption and embedding. It is very important to us that we do justice to the work undertaken, and that we ensure that the outputs from phase 1 are adopted throughout our business. To enable this to happen, 12 ambassadors were nominated to help champion the 'One Henry Boot' Project and therefore embed 'The Henry Boot Way' into everything we do. Phase 1 also helped us appreciate the importance of bringing everyone together to share feedback and how powerful this can be in helping continuous improvement in the business. As a result we formed a further eight Working Groups in phase 2 who were each given a specific important subject to debate and then put forward recommendations for improvements.

This is only the start of the journey for us. This whole process and experience has not been about reinvention, it has been about capturing what makes this business successful and recognising that our people remain vital to achieving this. 'The Henry Boot Way' will continue to be a crucial element of our business as I believe it will enable and empower our people and help us to be successful in the future.

Timeline

AUGUST 2016	FEBRUARY 2017	FEBRUARY – AUGUST 2017
Perception audit	**Launch of 'One Henry Boot' Project**	**Defined 'The Henry Boot Way'**

Why did we carry out the 'One Henry Boot' Project?

— To address the feedback from the Perception Audit
— To respond to the demands from institutional investors and potential customers for more clarity on the culture of the Group
— To provide our stakeholders with a better understanding of how we work as a Group
— To promote and protect the external image, marketability and ethos of the Group
— To ensure longevity and sustainability of the Group
— To identify and recognise what is already great about the Company, capture it, ensure everyone knows about it and celebrate it
— To ensure that all employees understand their role, and how they contribute to the Group's continued success
— To improve collaboration and promote a one Group approach; where we all feel part of the bigger picture
— To strengthen employee engagement and staff recruitment

"We are and always have been a people business and our restated Purpose, Vision and Values reflect and re-enforce this message."

JOHN SUTCLIFFE
Chief Executive Officer

Investors in People

Another positive step to come out of the 'One Henry Boot' Project was the decision to apply for The Investors in People accreditation for the whole Group. Henry Boot Construction and Henry Boot PLC both had accreditation as individual companies. Henry Boot Construction continues to be accredited while we work towards a Group-wide award. Given the timing of the renewal window for Henry Boot PLC, we decided not to pursue an individual renewal so that we could focus on the Group effort. In 2018, we intend to apply for Group accreditation and hope to be in a position to confirm we have achieved this in next year's report.

What some of our Working Group Volunteers think:

"It's a very supportive and cooperative place to work."

HAMER BOOT
Regional Manager

"Henry Boot want to know our point of view."

LYDIA McGUINNESS
Trainee Technician

"The set of values now reflects the values that Henry Boot really adhere to."

TIM BURN
Senior Project Manager

"We look out for each other. We are family."

DAVID HODSON
Accounts Assistant

SEPTEMBER – DECEMBER 2017

Launch of 'The Henry Boot Way'

JANUARY – JUNE 2018

Adoption of 'The Henry Boot Way'

JULY 2018 – ONGOING

Embedding of 'The Henry Boot Way'

Business Model — Our Operations

Our ability to deliver long-term value for stakeholders is underpinned by our business model. Henry Boot operates across the whole property value chain. We acquire land without planning permission, obtain planning permission, develop sites and maintain an investment portfolio.

Our people are at the heart of all that we achieve; we develop skilled employees who deliver profitable schemes with confidence.

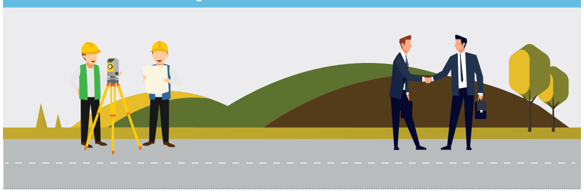
Henry Boot PLC has six primary businesses, in three segments:
Land Promotion: Hallam Land Management
Property Investment and Development: Henry Boot Developments and Stonebridge Homes
Construction: Henry Boot Construction, Banner Plant and Road Link (A69)

Investment into land acquisition and planning permission process

IDENTIFY OPPORTUNITIES AND ACQUIRE LAND

Land Promotion

Property Investment and Development



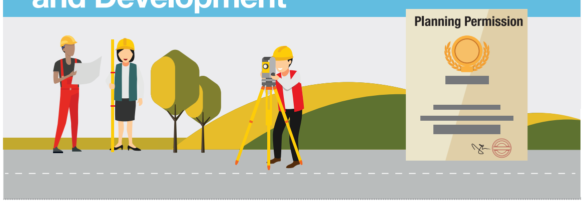
Hallam Land Management acquires mainly agricultural land and then promotes it for its highest value use. The use of agency and option agreements, as opposed to buying all land outright, means less expenditure on each asset, allowing us to maximise the number of land opportunities that we are involved in at any one time. As investment is spread over many assets, this reduces the overall risk of involvement in the planning process and maximises the likelihood of making a return on the capital invested.

Henry Boot Developments acquires mainly brownfield land.

OBTAIN PLANNING PERMISSION

Land Promotion

Property Investment and Development



Gaining planning permission on land adds immense value to its worth and is a crucial part of the operations of both the **Land Promotion** and **Property Investment and Development** segments. Our high level of expertise in resolving complex planning issues and our partnerships are key enablers to achieving successful outcomes in the promotion of sites through the planning process. Maintaining close relationships with key property advisers alerts us to potential opportunities. Throughout the process, we work closely with landowners, calling on the knowledge and guidance of planning consultants and legal advisers as required.

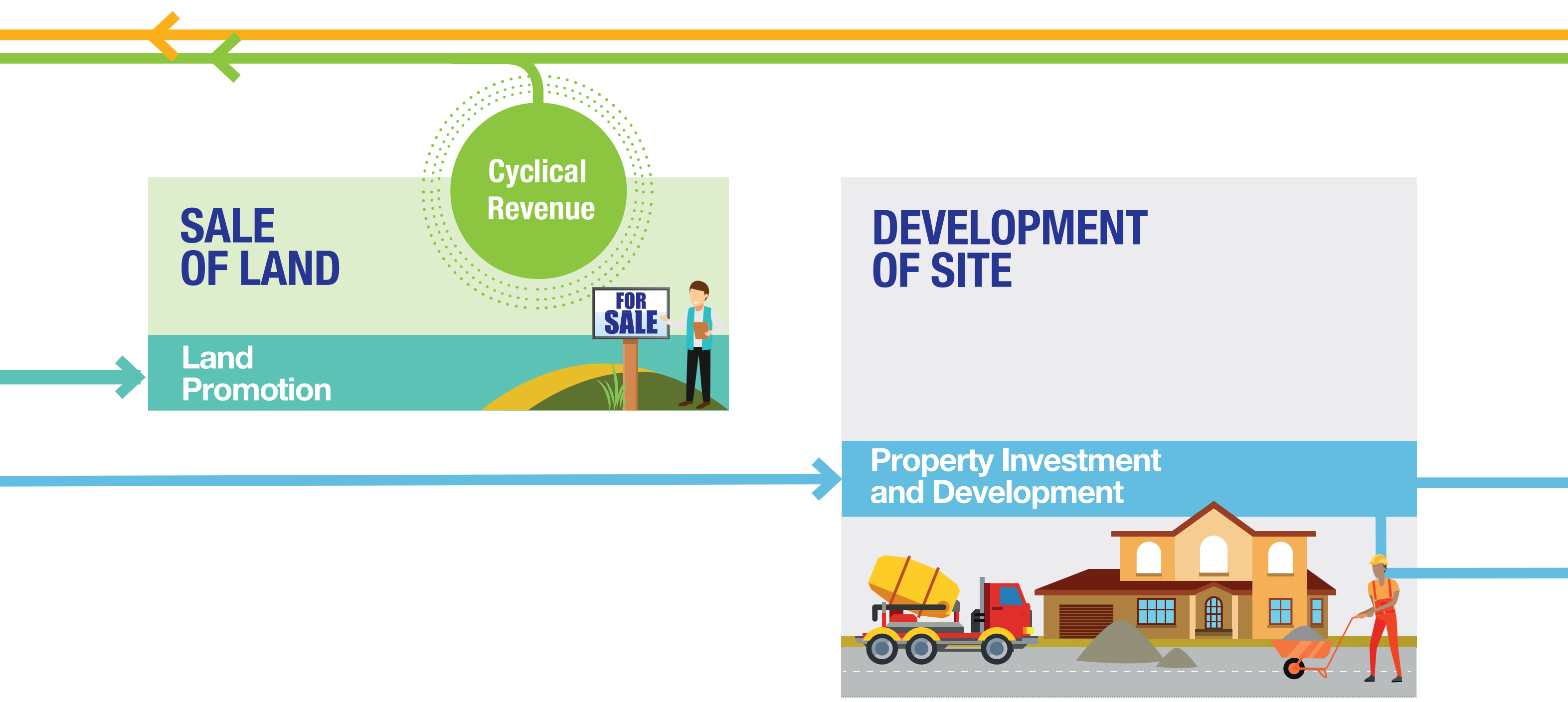
Hallam Land Management promotes land for residential, commercial and retail consent.

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

The businesses share ideas and working best practice with each other.

The six primary businesses within Henry Boot all operate relatively autonomously within their respective business segments, and it is rare that they will work on the same assets. However, the businesses will work on the same projects if the circumstances are right. For example, Henry Boot Construction may act as a construction contractor for the Property Investment and Development businesses, if it tenders the best bid. The businesses share ideas and best practice with each other.

The diversification of the Group activities strengthens the business. Being involved in multiple sectors – residential, retail and industrial development, construction and civil engineering – means that we are not overly exposed to one particular market. This enables us to weather the economic landscape and deliver on our key objective of maximising stakeholder value.

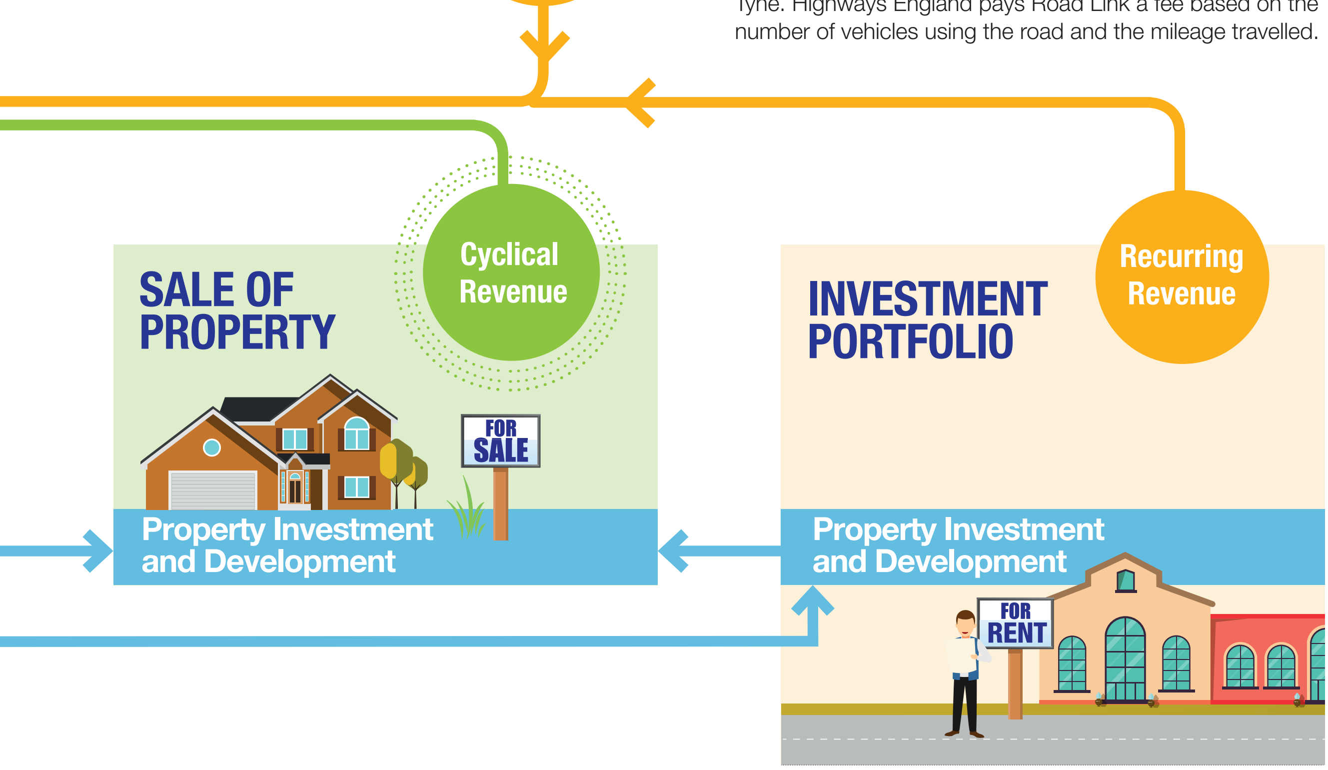


Once **Hallam Land Management** obtains planning permission on a site, it is sold to a developer, sometimes after infrastructure has been installed. The amount of capital required to achieve planning permission on a section of land is a very small proportion of the total capital required for the whole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

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

The ability that **Henry Boot Developments** has to self-fund or source prefunding opens up opportunities for the business. It means that they do not require bank funding before agreeing to development work and can commit to long-term projects, such as complex multi-site regeneration schemes.

Our Construction division is formed from three primary businesses: **Henry Boot Construction**, **Banner Plant** and **Road Link (A69)**. **Henry Boot Construction** is a contractor specialising in serving both public and private clients in all construction and civil engineering sectors. **Banner Plant** offers a wide range of services, and a high quality inventory of equipment for hire and sale, such as temporary accommodation, powered access equipment, tools and non-man operated plant. **Road Link (A69)** has a contract with Highways England to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. Highways England pays Road Link a fee based on the number of vehicles using the road and the mileage travelled.

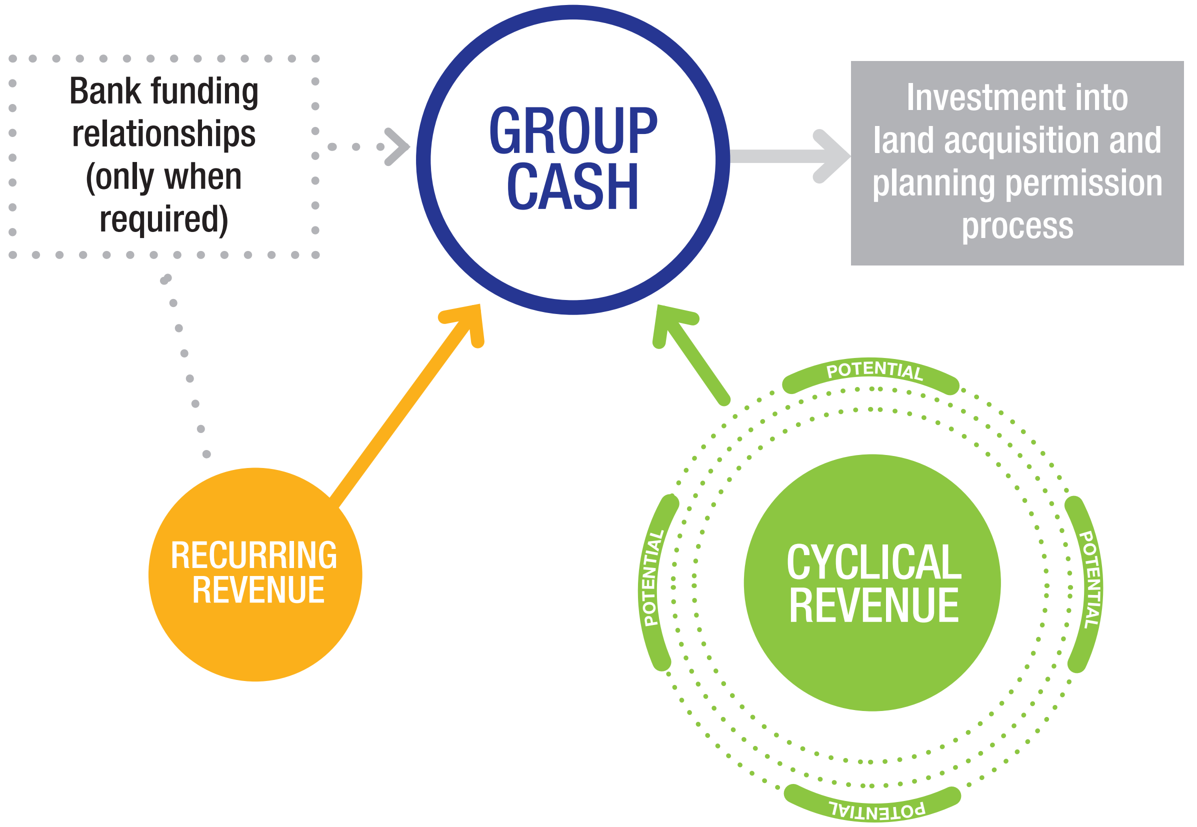


Once a property is developed, it may be immediately sold, generating significant revenue. Properties may be retained by the business to form part of the investment portfolio and may be sold at a later time.

A number of the finished property developments are retained and managed by the **Property Investment and Development** segment. The property investment portfolio of **Henry Boot Developments** is worth over £120m and generates a sizeable amount of rental income each year.

View the video explaining our **Business Model** on our corporate website

Business Model
— Group Financial Strength



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

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

Investment into land acquisition and planning permission process

Investing in the planning process and achieving planning permission delivers significant value. However, the revenue generated from sale of land and properties is not regular, recurring income. Therefore, it would not be possible to directly fund the land and property development activity through bank loans.

The property investment portfolio of Henry Boot Developments is worth over £120m and generates a sizeable amount of rental income each year. This recurring revenue allows us to borrow money against the investment portfolio at attractive rates, which may be invested into the land and property development process. The Construction segment is self-funded and cash generative. There is little capital employed so income is used to invest in land and development.

The only bank debts that the Group has are secured against the investment properties and the housebuilding inventory. A significant amount of equity has always been retained in the business, which reduces the need for borrowing. As a result of our financial structure, we can invest in the more profitable areas of the business (strategic land and property development) to maximise the value generated while maintaining prudent gearing levels.

Market Review

Our marketplace

> "Henry Boot remains well positioned to deal with the challenges it faces due to its strong opportunity portfolio."
>
> JOHN SUTCLIFFE
> Chief Executive Officer

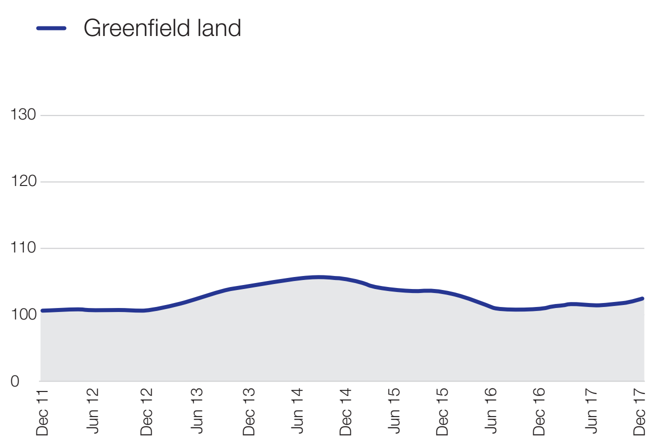
The UK real estate market has proved to be very resilient over a number of years and 2017 continued in that vein. Several macroeconomic and political events have brought uncertainty to the UK generally and therefore to the UK real estate marketplace, in which we operate, specifically. However, Henry Boot PLC remains well positioned to deal with these challenges due to its strong opportunity portfolio, committed experienced people, good customer relationships and financial strength.

Land Promotion

Housing market – strategic land and housebuilding

With land prices remaining consistent in recent years, there still exists a structural imbalance between the number of houses the Government aspires to produce on behalf of the UK population and the numbers being delivered by the UK housebuilding sector. The UK Government has brought forward many initiatives such as 'Help to Buy', support for social housing providers, the Starter Homes initiative and affordable housing requirements to help increase both the supply and demand for housing. However, planning consent for residential development and the subsequent negotiation with regard to the S106 costs associated with a consent add several years into the process of site delivery. The under-delivery of housing supply over many years means that demand for new housing, supported by the Government initiatives, remains strong. Therefore, in respect of our strategic land business, where we provide sites with planning permission to the major UK house builders, we expect these resilient trends to continue. While this remains the case, we have a large number of opportunities ready to benefit from these favourable market conditions.

Residential development land prices index



Source: Knight Frank Residential Development Land Index

Property Investment and Development

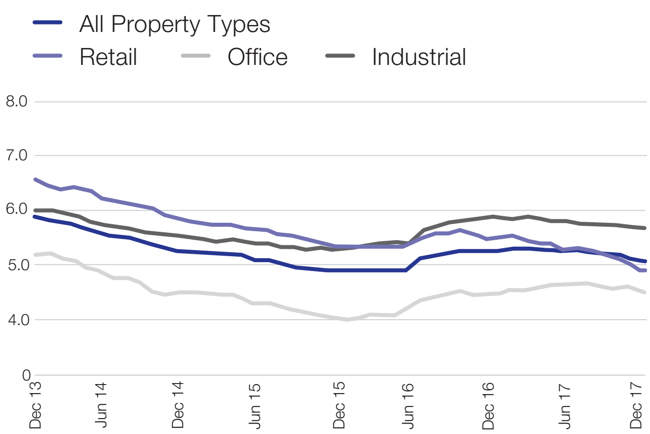
Commercial Investment and Development

Henry Boot Developments operates from regional offices throughout the UK which means that those development teams are close to the opportunities arising in their locality. We believe this allows us to maximise the number of schemes we win throughout the country as opposed to working from one central location. We deliver a broad range of schemes and are therefore not committed to one subsector of the market and we have achieved revenue of over £250m in 2017 compared to £50m in 2015.

During 2017, price inflation in construction markets across most of the UK moderated as demand and supply became more balanced. We continued to experience strong occupier demand in the industrial and logistics sectors which underpinned further investment yield compression in that sector. Elsewhere, occupier demand remained relatively stable although town and city centre retail and leisure markets weakened in the year, albeit edge and out of centre retail demand remained stable. The investment markets saw further demand for well-let property on long leases with index-linked rents with some investment yield compression evident towards the end of the year.

The continued strength of the industrial and logistics sector saw us increasing investment in existing and new business park developments throughout the UK. Furthermore, pricing stability within construction markets has enabled these projects to progress to the development phase more quickly than we had anticipated. Stability within the property investment sector and the further, selective compression of investment yields continued to support this strategy.

Net yields %



Source: IPD

Construction

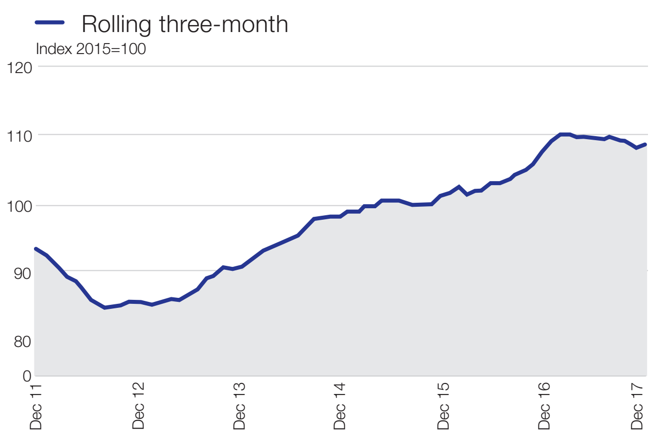
Construction and Plant Hire

Henry Boot Construction operates, mostly, across the Midlands and North of England servicing a wide range of public bodies and private clients. Banner Plant supplies a wide range of non-man operated plant to the construction subcontract supply base, once again across a wide range of construction markets within, primarily, the North and Midlands. In common with all parts of the country, spending by universities, schools, hospitals, prisons, roads and other local infrastructure projects has been maintained and we anticipate this spending will continue given the anticipated growth in the UK population into the future, regardless of changes to Government policy.

The recent turmoil within the construction industry has brought more scrutiny on the financial strength of the construction delivery partner chosen, particularly given the very low margins and risks associated with the delivery of construction projects. Therefore, our strong customer contacts, repeat business opportunities, ability to deliver work across a wide number of sectors and our financial strength means that we continue to win the work we want to win.

Overall, construction workloads are being affected by the vote to leave the EU as businesses become increasingly uncertain about their operating position in the coming years. Whilst this lack of clarity by Government continues, in the short term, private sector work may reduce. This is likely to be offset by centrally funded projects across a wide range of sectors and we remain confident that quality contractors with demonstrable financial strength will continue to win work.

Construction output & employment, seasonally adjusted, Great Britain



Source: Construction Output and Employment - Office for National Statistics

OVERVIEW
STRATEGIC REPORT
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SHAREHOLDER INFORMATION

Our Strategy

Strategy for Land Promotion

To source and promote land through the complexities of the UK Planning system for the highest use value. Through land ownership, or via agency and option agreements, the business conveys land, which has gained planning permission, primarily to the UK's major house builders. The two key factors impacting this business segment are the demand for houses in the UK and the Planning system. To achieve its purpose the business must appreciate and consider how these factors affect their sites.

Objectives

- To replenish the site portfolio and increase our proportion of directly owned land to balance the style of ownership.
- To dispose of an annually increasing number of residential plots whilst market conditions are supportive.
- To increase the scale and investment in land acres and plots over time.

Read about the **Land Promotion Case Study** on page 24

Strategy for Property Investment and Development

To obtain, develop and invest in a diverse range of property sector opportunities, whilst flexibly adapting to customers' needs within the market. With regional offices throughout the UK, the business is very close to the local market when seeking out new opportunities. Our joint venture housebuilding company aims to continue to increase housing delivery and its landbank to fuel longer term output.

Objectives

- To pre-let, pre-fund and pre-sell our development opportunities to mitigate risk.
- To actively seek out new opportunities for future development and grow that portfolio of opportunities.
- To monitor the markets in which we operate and quickly adapt to changing market conditions.

Read about the **Property Investment and Development Case Studies** on pages 25 and 26

Strategy for Construction

To compete for and win construction contract work in our northern market and work closely with new and repeat customers to provide a quality service to both the public and private sectors. With very tight construction margins it is important to continue building our customer database and to secure repeat business opportunities. To provide a high quality service and seek out new depot locations to increase the network coverage of our plant hire business.

Objectives

- To constantly monitor the customers and markets in which we operate, to compete effectively and appropriately balance our workflows within these markets.
- To actively pursue contract values of between £5m-£25m to benefit from improving economies of scale.
- To continue to provide high quality service and to seek out new opportunities to expand locations within our plant hire operation.
- To continue to operate the A69 road PFI as efficiently as possible throughout the remaining eight years of the franchise.

Read about the **Construction Case Study** on page 27


Henry Boot
CONSTRUCTION
Henry Boot
CONSTRUCTION

Land Promotion Case Study

Great Wilsey Park, Haverhill

In 2012 Hallam Land became involved in Great Wilsey Park, a 415-acre site that had been identified for strategic growth within St Edmundsbury's Core Strategy. Before development proposals were considered, Local Plans such as Haverhill Vision 2031 were engaged with to ensure the area's vision and framework were taken into consideration. A vital element of this plan was the creation of a sustainable community which would still provide the area with the necessary local infrastructure benefits alongside the new homes to be built. The site contains:

- 2,500 homes
- Two primary schools
- Two local centres
- Doctor's surgery
- 12 acres allocated for expansion of the secondary school
- Care home
- 195 acres of open space

A new care home, approximately 195 acres of green infrastructure providing informal areas of open space, play areas, public rights of way, allotments, wetland areas and a country park were designed into the scheme for the enjoyment of both new and existing residents. These elements integrate with the proposed 2,500 new homes to create what will be a thriving new community on the edge of Haverhill. We are now in final discussions on the S106 agreement prior to permission being issued and the site is currently being marketed for sale.

Read about the **Land Promotion Segmental Review** on pages 30 and 31

Property Investment and Development Case Study

Thorne Park, Doncaster

Henry Boot Developments was selected by landowner Royal Bank of Scotland as its preferred development partner for a 23-acre former vehicle storage site located off Junction 6 of the M18 motorway, near Doncaster. The site had been vacant for several years and suffered from viability issues relating to high servicing costs. Our approach was to secure a significant high value 'enabling development' which would overcome these viability issues and enable the majority of the site to be redeveloped for industrial use. This strategy was supported by the Local Authority who had long sought the site's redevelopment for employment uses. Planning permission was secured quickly for a significant amount of retail floorspace which was immediately sold to a supermarket operator.

This enabled the full servicing of the site on a viable basis and led onto the speculative development of over 150,000 sq ft of industrial space in units ranging in size from 10,000 to 45,000 sq ft. All the space was leased or sold to industrial occupiers with the last two units totalling 48,000 sq ft sold in late 2017, marking the completion of this highly successful project which has created over 100 new jobs on the site and brought over £20m of new investment to the area.

Read about **Property Investment and Development Segmental Review** on pages 32 and 33

Property Investment and Development Case Study

Kampus, Manchester

Henry Boot Developments, in partnership with local developer Capital & Centric, was selected as preferred partner by Manchester Metropolitan University to acquire and redevelop their former 2.5-acre site located on Aytoun Street, close to Piccadilly Station in Manchester city centre. The site was considered particularly sensitive by both the University and City Council because of its size, prominence, location and the need to incorporate existing listed buildings on the site into any new redevelopment. We identified that the site had significant potential to create a new and innovative build-to-rent residential scheme of sufficient scale to create a new community, incorporating dedicated retail and leisure facilities offering unrivalled access to both the city centre and the city's main transport hubs including the new HS2 station close by.

We secured planning permission and a US-based funding partner, and construction work on the £230m project commenced mid-2017. This work includes the conversion of the historic Minto & Turner listed warehouse and the retention of the original 11-storey university campus tower and we anticipate the last of the 540 apartments will complete during 2020. The scheme has been designed to complement and support the continued regeneration of the wider area and includes two new public squares with complementary retail and leisure uses.

Read about **Property Investment and Development Segmental Review** on pages 32 and 33

Construction Case Study

Rudding Park Hotel, Harrogate

During spring 2017, Henry Boot Construction completed a £9m luxury state-of-the-art spa facility to recapture Harrogate's historic heritage, by using natural spring water from within the grounds of the hotel. The project included the construction of a multi-level extension to the Grade I listed Rudding Park Hotel, situated within the historic Humphry Repton landscape.

The new spa features a 17-metre swimming pool, an indoor and outdoor hydrotherapy pool, a thermal room and ten treatment rooms, plus a restaurant and shop. The rooftop area of the spa includes an indoor–outdoor infinity pool with an iconic glass wall allowing guests to enjoy the outstanding parkland views surrounding the hotel.

A feature roof garden forms an integral part of the scheme and preserves the integrity of the historic landscape.

The project was complex because of the hotel being a listed building, which meant close collaboration and coordination with key trades and partners. With a tight deadline, the project was delivered on time and to the exacting standard required.

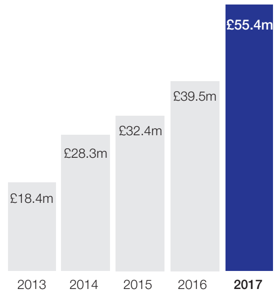
Read about **Construction Segmental Review** on pages 34 and 35

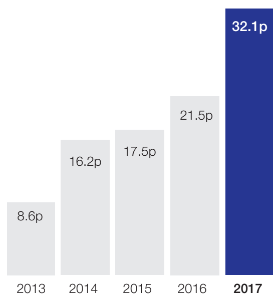
Key Performance Indicators – Financial and Non-financial KPIs

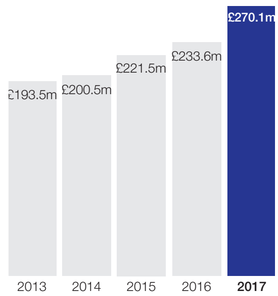
In 2017 the Group reviewed its financial and non-financial KPIs. Whilst all targets from previous years still remain important, it was felt the KPIs listed in this year's report are more reflective indicators of the Group's most significant Key Performace Indicators.

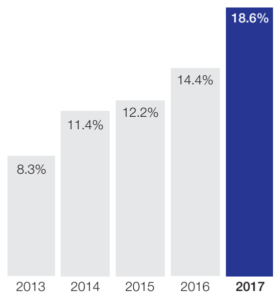
Each business segment within the Group is required to establish targets at the beginning of each financial year. This allows us to establish a broad range of financial indicators.

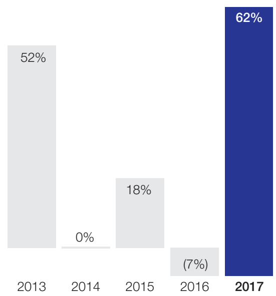
KPI	Performance	Future Aims
Profit Before Tax **Definition** A profitability measure that looks at a company's revenue less all interest and operating expenses except for income tax.	A 40% increase as higher levels of property development generated additional profits.	**Objective** To increase profit levels over time.
Earnings per Ordinary Share **Definition** The portion of a company profits allocated to each outstanding share of its common stock.	A 49% increase due to higher retained profits helped by additional returns from property development.	**Objective** To increase returns over time.
Net Assets **Definition** The value of a company's assets less its liabilities.	A 16% increase to net assets achieved by retained earnings from higher profits offset by dividends paid and an increase in the pension scheme deficit.	**Objective** To grow the asset base over time.
Return on Capital Employed **Definition** The ratio of earnings before interest and tax to capital employed (total assets less current liabilities).	We continue to achieve a healthy improvement in returns on utilised capital and will continue to monitor this area for improvement.	**Objective** To increase returns on capital employed over time.
Shareholder Return **Definition** The share price appreciation combined with dividends paid shown as an annualised percentage.	Share price increased 58.3% over the year, which coupled with the increase in dividends, gave rise to a return over the last three years of 73.3%.	**Objective** To generate growing shareholder returns over time.





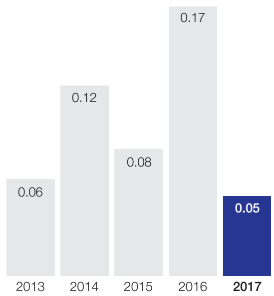


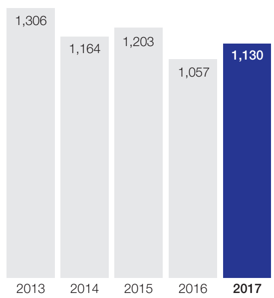


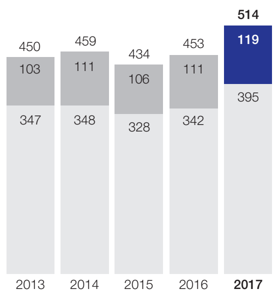


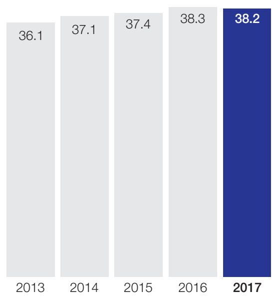
We have identified a number of key performance indicators (KPIs) against which we measure our corporate responsibility. These are monitored during the year and action taken as necessary.

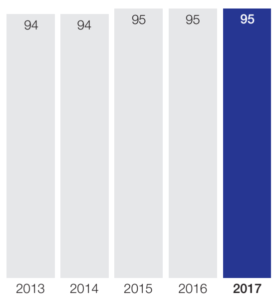
KPI	Performance	Future Aims
Accident Frequency Rate (AFR) - including subcontractors **Definition** Accidents reportable to the Health & Safety Executive.	This year saw a decrease in RIDDOR reportable which was due to our high standards set across all our sites.	**Objective** To ensure a reducing number of reportable health and safety incidents. **Target** Zero incidents and to exceed industry standards.
Personal Development (days) **Definition** Development days provided by the Group.	During 2017 there was a slight increase in the number of development days, reflective of new employees and training programmes available to the Group.	**Objective** To ensure that our employees are trained to the appropriate level and are given adequate opportunity to develop their careers. **Target** To exceed 2017 figure.
Employee Profile **Definition** The gender balance percentage between all our employees. Employee figures as at 31 December 2017	We have a gender split of 77% male to 23% female. This altered during 2017 due to the increase of employees. However, we continue to work closely with partners to encourage under-represented groups into the industry.	**Objective** To ensure a diverse spread of gender within all job roles in the Group. **Target** Both genders should be treated fairly and have access to equal opportunities.
Considerate Constructors Scheme **Definition** Promote and achieve best practice under the Code of Considerate Practice.	While there was a slight decrease in our score from 2017, we are still significantly higher than the industry average.	**Objective** To be classified as a 'good neighbour' when scored against the Considerate Constructors Scheme score of 50. **Target** Top score of 50.
Recycling — Diverted from Landfill (%) **Definition** To minimise the environmental impact from our business operations.	We have continued to achieve a minimum recycling rate of 95%.	**Objective** To reduce the amount of waste going to landfill by recycling, reusing or upcycling. **Target** To achieve a minimum recycling rate of 95%.











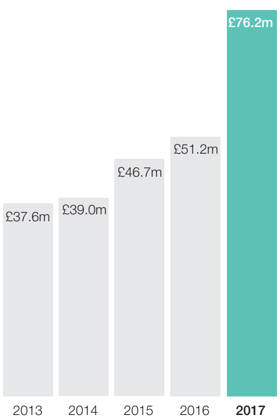
Segmental Review
Land Promotion

> “The major UK house builders have reported that they are trading well and we are in advanced discussions with them in relation to a range of our projects.”

NICK DUCKWORTH
Hallam Land Management Limited

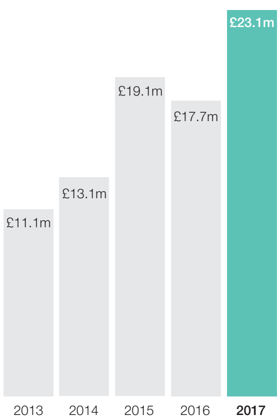
Total revenue

£76.2m



Profit before tax

£23.1m



Progress in 2017

Hallam Land Management, our strategic land promotion business, had a strong 2017 as, in general, the UK house builders put the EU referendum and the General Election behind them. Whilst these events slowed transactions for eight weeks or so, they did not dent builders’ appetite for land in the right locations.

During the year, Hallam Land secured a £23.1m profit (2016: £17.7m) from selling 15 residential sites comprising 2,169 plots and, at the same time, successfully secured 14 new planning consents (or consent subject to Section 106 agreement) and increased its consented portfolio by 13% to 18,529 plots (December 2016: 16,417). We also entered 2018 with 780 plots exchanged for sale later this year. Hallam Land also sold a three-acre commercial site at Bridgwater to its sister company, Henry Boot Developments.

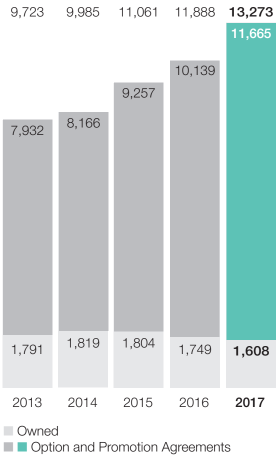
New consents obtained during 2017 included sites at Swindon (1,000 plots), Bridport (760 plots), Moulton (125 plots), Warton (115 plots), Sapcote (125 plots), Buckingham (400 plots), Haverhill (1,250 plots) and Milton Keynes (524 plots). With regard to land interests, at the year end Hallam Land benefited from 2,884 acres with planning consent (or consent subject to signing a Section 106 agreement) (2016: 2,405 acres) and a further 937 acres (2016: 1,078 acres) being allocated in local plans for residential development. In total, at the year end, the Company held 13,273 acres (2016: 11,888 acres) as freehold or under Option/Promotion Agreement.

In terms of particularly significant projects, during the year, Hallam Land sold the final tranches of our residential land holdings at Bedford and Marston Moretaine, and pleasingly these have been replaced with other substantial projects coming forward, including Didcot (2,170 plots), Market Harborough (462 plots) and Haverhill (1,250 plots).

Contracted only in 2013, our 51% stake in Valley Park, Didcot, has been allocated, planning consent has been obtained and we are now negotiating a sale with a preferred bidder. Similarly, at Haverhill, south east of Cambridge, our 50% stake in the 2,500-plot urban extension to the north of the town is being marketed for sale, and has generated significant interest. At Market Harborough, where we own the freehold of 462 plots with outline consent, the site will be marketed for sale once we have concluded a commercial negotiation with a previous owner. These are just three of a range of larger projects that we control and whilst securing outline planning consent is task enough, it is invariably insufficient to ensure a market sale. To secure a disposal, utility and service provision needs to be guaranteed, infrastructure contracts procured, Reserved Matters planning consent secured and planning conditions discharged. Satisfying these and other buyer requirements takes time and contributes to the Government’s concerns about ‘land banking’. There are a variety of stakeholders involved in the disposal of strategic urban extension sites to build new communities and satisfying all their requirements takes significant time, effort and diligence.

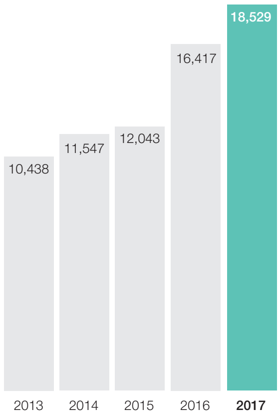
Land bank (acres)

13,273



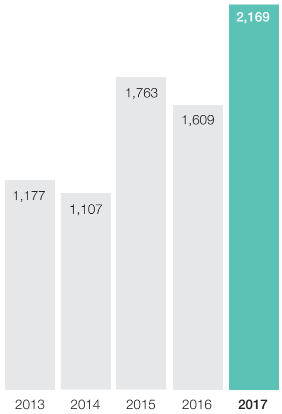
Plots with planning permission

18,529



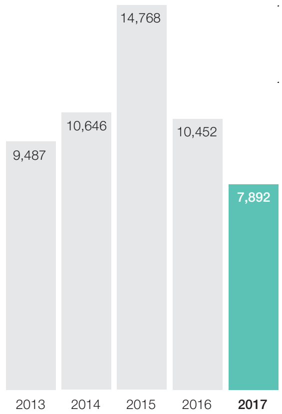
No. of plots sold

2,169



Plots in planning process

7,892



As to our two long-standing projects: at Cranbrook (the 3,500-unit new community at Exeter) we have negotiated a disposal of 180 plots which exchanged early in 2018; and at Kingsdown, Bridgwater, we completed on a 130-plot sale, exchanged on a further 72 plots and sold three acres of industrial land to Henry Boot Developments. Both projects continue to deliver well, in line with our expectations.

2018 has started positively with 780 plots exchanged for sale. The major UK house builders have reported that they are trading well and we are in advanced discussions with them in relation to a range of our projects. At this stage, we anticipate that 2018 will be another year of steady progress.

Pictured top right: A new local public house at Cranbrook, a part of the development at Exeter.
Pictured bottom right: Milton Keynes, an allocation within the Vale of Aylesbury Local Plan has been secured for 1,855 new homes, our share being 524 properties.

Segmental Review
Property Investment and Development

"Activity levels and turnover exceeded the previous year, which itself was a record for the Company."

DAVID ANDERSON
Henry Boot Developments Limited

"Stonebridge Homes had another year of growing momentum, achieving 79 house sales in total."

DARREN STUBBS
Stonebridge Homes Limited

Pictured below: The iconic clock tower at the former Terry's Chocolate Factory, York.

Progress in 2017

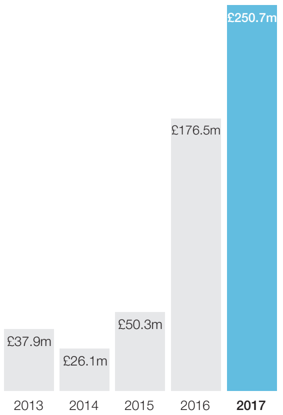
Henry Boot Developments, our commercial development business, had one of its busiest years in 2017, continuing to progress a broad range of commercial and an increasing number of residential projects. Activity levels and turnover exceeded the previous year, which itself was a record for the Company. Our major, long-term projects continued to make satisfactory progress as expected. The largest of these is the 800,000 sq ft forward-funded development of the new £333m Aberdeen Exhibition and Conference Centre, which remains on track to be completed in mid-2019. In Manchester city centre, the development of the initial phase of the £220m forward-funded, build-to-rent residential project, providing 533 apartments, commenced mid-year 2017. Completion of the final phase is scheduled for 2020.

Developments within the industrial and business park sector significantly increased during the year with the completion of 575,000 sq ft of logistics space at Markham Vale, off Junction 29A of the M1. A further 100,000 sq ft of industrial space on the park is now the subject of exchanged contracts. Elsewhere, the first phase of infrastructure was completed at the Airport Business Park in Southend, with the first development expected to commence in late 2018. We also expect to see the first phase of development on Butterfields Business Park in Luton in 2018 after securing a full employment use planning allocation in 2017. Completion of the mixed-use, retail and industrial scheme off Junction 6 of the M18 motorway (near Doncaster) was achieved late in 2017, with disposal of the last two, speculatively-built industrial units totalling 48,000 sq ft, together with a small development plot, all at values ahead of original forecasts. Further business park locations have now been placed under contract on the M5 Junction in Taunton and at the former Horizons tobacco factory in Nottingham. Notably, during the latter part of the year, we were also selected as preferred development partner on four other business parks at locations across the UK, which we will be progressing through 2018 and beyond.

The Company maintains a broad sector spread of development projects and was active on retail, leisure and residential projects in 2017. In York, the award-winning conversion and redevelopment of the former Terry's Chocolate Factory continued apace. All the remaining apartments were sold in the year, completing the 163-unit factory conversion well ahead of the original programme. Planning permission is expected shortly for the 22-apartment conversion of the adjoining iconic clock tower which is planned to be completed in 2018. Furthermore, on the balance of the site, pre-application planning negotiations have commenced for an apartment scheme. In Manchester, detailed planning permission was secured for a 140-bed hotel in the city centre on a site held under option. This site was subsequently sold, well ahead of schedule. We also completed the purchase of Equitable House, located on one of the city's prime retail areas, St Ann's Square, and agreements have been reached to re-gear the existing ground floor retail leases. In parallel, we are progressing the conversion of the upper floors to luxury apartments and this development is expected to commence in 2018 for completion in 2020.

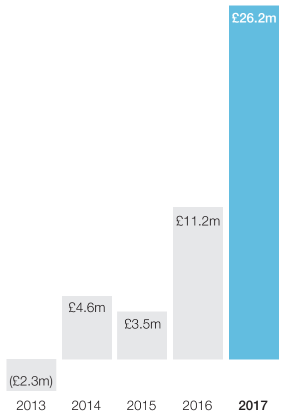
Total revenue

£250.7m



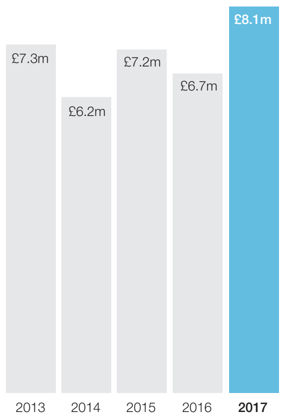
Profit before tax

£26.2m



Rental income

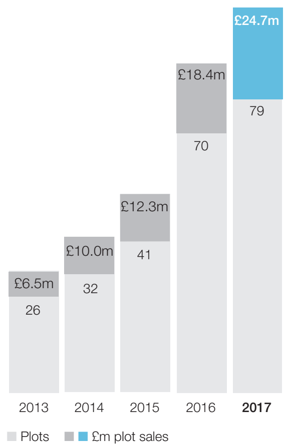
£8.1m



No. of plots sold

(Stonebridge Homes Limited)

79



The retail warehouse market remained relatively stable over the year, and the 43,000 sq ft project in Livingston town centre, pre-let to Dunelm and B&M Retail, was successfully completed and sold in the year. Elsewhere, the development of a small pre-let neighbourhood centre in Monmouth, Wales, was completed and sold. In Daventry, detailed planning permission was granted for an 83,000 sq ft edge-of-centre retail scheme undertaken in partnership with the District Council. This is now the subject of pre-let negotiations with a range of retailers and is targeted to commence in the second half of 2018. Further investment within Henry Boot Developments' existing investment portfolio included the extension and comprehensive refitting of office space in Uxbridge and the development of a pre-let Travelodge hotel in our mixed-use investment in Bromley, Kent.

House Building

Our joint venture house builder, Stonebridge Homes, had another year of growing momentum, achieving 79 house sales in total with almost half that number arising in the last two months of the year as, in particular, residential units in the former Leeds Girls' High School became available to sell.

We also carried over 20 reservations into 2018 and have added to this in the current year, which is very pleasing. Although early in the year, we anticipate house sales will be in the range of 110-130 units for 2018, at an average selling price of circa £250,000, based on current levels of activity.

Our land bank of secured planning permissions is now over 250 units and the longer term secured sites that are subject to planning decisions encompass some 750 additional units. Successfully achieving planning permission on these sites will allow annual activity levels to grow towards 200 units per annum over the next three years.

Pictured top right: New town centre retail and leisure park, Livingston.
Pictured bottom right: Fox Valley, Stockbridge, a site which will consist of over 100 newly built houses.

Segmental Review
Construction

"Repeat business continued to underpin our success, and is an excellent indicator of how we are performing."

SIMON CARR
Henry Boot Construction Limited

"The financial results and capital investment within our existing profit centres were in line with our forecasts, whilst cash generated was ahead of target."

GILES BOOT
Banner Plant Limited

"The contract continued to perform to our financial expectations."

TREVOR WALKER
Road Link (A69) Limited

Progress in 2017

2017 was a busy and successful year for Henry Boot Construction, which specialises in serving both public and private clients in all construction sectors, including civil engineering, with the business exceeding our targeted profit levels. Repeat business continued to underpin our success, and is an excellent indicator of how we are performing, particularly by achieving and integrating sustainable value into projects. This, along with the high-quality people within our business, has resulted in existing clients returning to us with prestigious follow-on projects and remains crucial to achieving success.

Henry Boot Construction has continued to deliver the first phase of the £35m Better Barnsley town centre regeneration scheme, now known as The Glass Works. Aligned with this project is the Barnsley skills village, with the Government taking interest in the excellent track record of this initiative, providing skills to new trainees from all backgrounds entering employment which, in turn, helps reduce the skills shortage within the construction sector.

After a lengthy period of bidding, Henry Boot Construction was selected for the Education and Skills Funding Agency ('ESFA') regional framework. This £8bn Government-funded programme will provide improved education provision through refurbishment and replacement of schools. We expect this to be a prominent part of our business moving forward. Other notable projects in 2017 were the prestigious spa facility at Rudding Park Hotel, Harrogate, and the refurbishment of the Grade II listed St George's Hall in Bradford.

In the civil engineering sector, Henry Boot Construction has recently completed the regeneration and infrastructure work on the Olympic Legacy Park in Don Valley, Sheffield, and we are working on the Advanced Manufacturing Park for the University of Sheffield. We continue as a major supply chain partner on the 25-year, Amey PFI Sheffield Streets Ahead scheme and also continue to deliver work through the YORcivils framework, having been successful in securing a place on the new YORcivils2 framework, under which we are carrying out structural works to six tower blocks for Leeds City Council, together with the remodelling of Iverson Primary School in Horsforth.

In the health and social care sectors, we completed a 60-bed extra care unit for Newark and Sherwood Homes, enhancing our offering in that market. We are also a delivery partner on the Sheffield Teaching Hospitals NHS Trust framework.

Within the higher education sector, we were awarded the Aerothermal Research Building at Loughborough University, the Sports Sciences Building for the University of Hull, Concourse Public Realm works for the University of Sheffield and the SEE (School of Earth and Environment) expansion at the University of Leeds. We also continue to progress works to deliver a Public Realm scheme for Lancaster University.

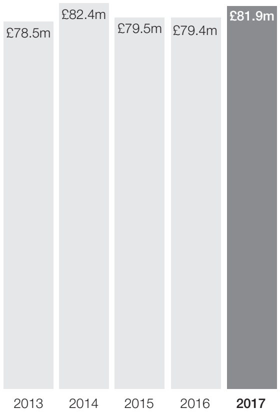
We have several schemes being delivered through the Ministry of Justice refurbishment framework, where we have three projects currently on site and another two that begin in the first quarter of 2018.

Profit before tax

£10.0m

External revenue

£81.9m



Henry Boot Construction started 2018 with the healthiest order book seen in recent years; although we remain cautious, particularly in the medium to long term, regarding the possible reduction in construction activity due to market uncertainty associated with exiting the EU, price pressures on imported materials associated with exchange rate volatility and other labour and supply chain price pressures.

Health and Safety

Health, Safety and Environmental management remains of paramount importance, and we continue to be committed to providing a safe and healthy working environment and actively finding ways to eliminate risk. We have continued to maintain approval of our Company Management System to meet the requirements of OHSAS 18001, ISO 14001 and ISO 9001.

We are delighted that, for the sixth consecutive year, our construction-related Accident Frequency Rate (AFR) for our directly employed staff and operatives is zero.

This strong health and safety management culture has resulted in us securing the CIOB Health and Safety Award and Contractor of the Year Award, in addition to receiving a further RoSPA Gold Medal Award to recognise eight continuous years of Gold Award achievements, coupled with a project-specific RoSPA Gold Award for the University of Derby St Helena project.

Plant Hire

In 2017, Banner Plant had a year dominated by the purchase and integration of Premier Plant Tool Hire & Sales Limited. The acquisition in the early part of the year added a plant and a tool hire depot, both in the Leicester area. Both locations made a positive contribution during the remainder of 2017, in line with our expectations. The financial results and capital investment within our existing profit centres were in line with our forecasts, whilst cash generated was ahead of target. Particularly positive performances came from our powered access and accommodation depots, closely followed by plant depots at Dronfield and Ossett. Overall, this resulted in a record trading performance for this customer-focused operation.

Road Link

Our PFI contract Road Link (A69), which maintains the A69 trunk road between Carlisle and Newcastle, has completed another strong year. 2017 saw an increase in traffic volume and with no major disruptions or impact from adverse weather conditions, the contract continued to perform to our financial expectations. The contract remains on course to operate to plan throughout the remaining eight years of the concession.

Pictured: 60-unit extra care scheme for Newark & Sherwood Homes.

Financial Review

"Our continued long-term strategic approach to land promotion and property development has generated increasing pipelines to deliver results for the years ahead."

DARREN LITTLEWOOD
Group Finance Director

Key highlights of our financial performance in 2017

- Profit before tax increased by 40% to £55.4m
- Basic earnings per share increased by 49% to 32.1p
- Dividends per ordinary share for the year increased by 14% to a record 8.00p
- Return on capital employed increased by 29% to 18.6%

The delivery of our residential conversion scheme at the former Terry's Chocolate Factory and the progress made on the new Aberdeen Exhibition and Conference Centre delivered results in advance of management's original expectations. These, coupled with a generally strong underlying performance in our operations, resulted in these impressive Group results. A commendable achievement by our talented people and a credit to all those businesses with whom we engage to achieve our goals.

Our continued long-term strategic approach to land promotion and property development has generated increasing pipelines to deliver results for the years ahead. We remain cautious of where negotiations between the UK and the EU may end and believe continuing uncertainty within our markets could lead to commencement delays in projects and developments. However, as we enter 2018 we have a significant amount of property development work currently in delivery, a number of land sales already exchanged awaiting completion, residential properties in stock, carried over the year end, for which demand remains high and we have a strong order book within our construction business.

Consolidated Statement of Comprehensive Income

Revenue increased 33% to £408.5m (2016: £306.8m) resulting from increased activity within all segments of the Group. This was driven most notably from the continued delivery of the new conference and exhibition centre for Aberdeen City Council, sales of residential apartments at the former Terry's Chocolate Factory in York and increased residential land sales within the land promotion segment. Gross profit increased 39% to £86.7m (2016: £62.3m) and reflects a gross profit margin of 21% (2016: 20%), broadly in line with that achieved in the previous year. Administrative expenses increased by £4.7m, resulting from the continued expansion of Stonebridge Homes, the acquisition of two plant depots in Leicester, the opening of a new regional office in Birmingham, and employee costs which rose as we recruited additional staff across the Group to support the increased activity achieved in recent years, and we made provision for higher levels of profit share and bonuses, given the Group's performance over the year, and saw a modest level of wage price inflation linked to employee retention.

Pension expenses increased by £0.6m (2016: £0.1m) as employee numbers increased and auto-enrolment contributions increased in accordance with statutory requirements.

Property revaluation losses of £3.6m (2016: £1.8m) were the net effect of uplifts of £5.2m in the fair value of certain existing completed investment properties, largely in the industrial and mixed-use categories, offset by the recognition of valuation deficits of £8.8m on a number of other properties, most notably retail assets in secondary locations.

Overall, operating profits increased by 42% to £56.2m (2016: £39.5m) and, after adjusting for net finance costs and our share of profits from joint ventures and associates, we delivered a profit before tax of £55.4m (2016: £39.5m), an increase of 40%.

The segmental result analysis shows that property investment and development produced a significantly improved operating profit of £30.4m (2016: £15.1m) arising from a full year's activity on the Aberdeen Exhibition and Conference Centre, final residential sales from the York Chocolate Factory conversion and continuing contributions from our Markham Vale industrial development. Land promotion operating profit also showed a strong performance, increasing to £23.2m (2016: £18.6m) as we disposed of 2,169 residential plots during the year (2016: 1,609). Construction segment operating profits decreased slightly to £9.6m (2016: £10.3m) after improved results from Plant Hire, following the acquisition of the Leicester depots, and Road Link were offset by lower Construction returns which were marginally impacted by the reduced turnover on secured schemes which did not come forward as quickly as expected. The movements within our mix of business streams demonstrates the nature of deal-driven property and land promotion businesses, dependent upon demand from the major UK house builders but combined with the relatively stable returns from our Construction segment. This continues to demonstrate the benefits of our broadly based operating model, working together to the benefit of our Group. Whilst we have a greater pipeline of property development and a larger number of consented residential plots than ever before, 2017 saw returns achieved which we had expected to deliver through 2018 and into 2019, and further evidences the deal-driven nature of our land promotion and property development businesses giving rise to financial results which can vary significantly from year to year.

Tax

The tax charge for the year was £9.8m (effective rate of tax: 18%) (2016: £8.9m and effective rate: 23%), and arises from the net investment property revaluation deficit, which is not tax deductible until realised, offset by other permanent differences. We currently have a £3.2m unrecognised deferred tax asset (2016: £2.7m) which can be utilised to offset future capital gains if they arise. Current taxation on profit for the year was £9.7m (2016: £8.9m), with the 2017 charge being lower than the standard rate of corporation tax due to permanent tax differences. Deferred tax was £0.1m (2016: £0.04m), due to the elimination of any property revaluation deferred tax asset and no deferred tax asset arising on the increased pension scheme deficit as contributions have exceeded cumulative charges to the income statement.

Earnings per share and dividends

Basic earnings per share increased by 49% to 32.1p (2016: 21.5p). Total dividends payable for the year increased by 14% to 8.00p (2016: 7.00p), with the proposed final dividend increasing by 16% to 5.20p (2016: 4.50p), payable on 30 May 2018 to shareholders on the register as at 27 April 2018. The ex-dividend date is 26 April 2018.

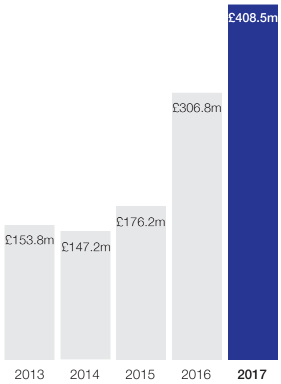
Return on capital employed ('ROCE')

Increased pre-tax profits in the year helped ROCE[1] improve to 18.6% in 2017 (2016: 14.4%). This improvement was aided considerably by the impressive performance within property development mentioned above. Whilst we continue to review our strategic target rate of return, given that we are currently able to forward fund and sell property development, we believe that a target return of 12%-15% is appropriate to our current operating model. We will continue to monitor this important performance measure over the business cycle, given the potential for market conditions to change quickly.

[1] ROCE is calculated as operating profit divided by total assets less current liabilities.

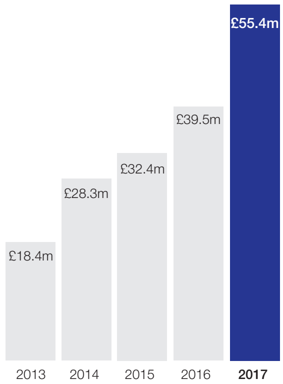
Revenue

£408.5m



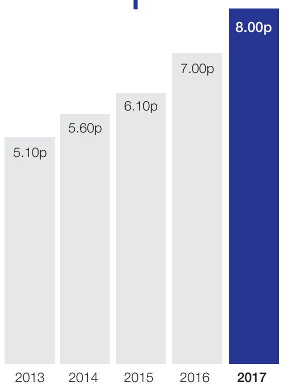
Profit before tax

£55.4m



Dividends per ordinary share

8.00p



Financial Review continued

Finance and gearing

Net finance costs were unchanged at £1.5m (2016: £1.5m). We saw a reduction in our net debt levels towards the end of 2017 as we collected a number of deferred land sale receipts and concluded a number of property disposals. Average borrowing rates were lower than the previous year although we expect interest costs to rise through 2018, as we increase borrowings to support higher levels of development activity. It is also possible that we will see rises in interest rates during 2018, although this will not result in a material change to our borrowing costs. We expect to continue to invest in both our land and property development assets, as we recycle capital into future opportunities and anticipated development activity.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties and disposal profits) to net interest (excluding interest received on other loans and receivables), was 38 times (2016: 28 times). No interest incurred in either year has been capitalised into the cost of assets.

Our completed investment property portfolio has increased to £127m (2016: £101m) against which we secure bank funding to allow us to undertake property development and land promotion, neither of which are readily funded using bank debt. Our investment property assets continue to provide the key covenant support for our banking facilities. Our facilities were increased to £72m in August 2017 to support the increased property development work, taking the renewal date to February 2020. In addition, we have a £5m revolving loan facility within Stonebridge Homes, our joint venture house builder. This loan is secured against work in progress.

2017 year-end net debt fell by £3.9m to £29.0m (2016: £32.9m) resulting in gearing on net assets of £270.1m falling to a conservative 11% (2016: net assets £233.6m; gearing 14%). Total year-end net debt includes £6.1m (2016: £7.6m) of Homes and Communities Agency ('HCA') funding which is repayable from the future sale of residential units. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year we operated comfortably within the facility covenants and continue to do so.

Statement of cash flows

During 2017, we increased operating cash flows before movements in working capital by £21.5m to £62.1m (2016: £40.6m) and, after a net investment in working capital of £15.8m (2016: £12.0m), cash generated from operations was £46.3m (2016: £28.5m). Our investment in working capital arises from the increase in levels of property development activity and continued investment in our land portfolio. Cash outflows from investing activities of £19.7m (2016: outflow of £2.4m) arising from disposals of £11.1m (2016: £9.9m) of investment property and property, plant and equipment sales, offset by new investment of £31.4m (2016: £13.4m) in new property development, plant purchases and the acquisition of Premier Plant Tool Hire & Sales Limited, adding two new depots to our plant hire business. Dividends paid, including those to non-controlling interests, totalled £12.0m (2016: £10.6m), with dividends paid to equity shareholders increasing by 16%.

Statement of financial position

Investment properties and assets classified as held for sale were valued at £134.8m (2016: £124.7m), increasing after the acquisition of a retail investment at St Anne's Square in Manchester and a distribution unit investment let to Imperial Tobacco in Nottingham, both acquired with longer term development opportunities. The value of investment property under construction within investment properties was £6.2m (2016: £22.7m) as we develop these assets into investment properties and either keep or sell the completed product.

Intangible assets reflect the Group's investment in Road Link (A69) of £4.5m (2016: £4.9m) and goodwill of £0.9m (2016: £nil), on the acquisition in the year of two plant depots in Leicester. The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to Highways England at the end of the concession period.

Property, plant and equipment comprises Group occupied buildings valued at £8.1m (2016: £6.5m), increasing on the acquisition of office space in Leeds, from which our housebuilding operation is being managed, and plant, equipment and vehicles with a net book value of £18.4m (2016: £15.4m). This increase arose largely from the acquisition of the Leicester plant depots but also from continued investment in new plant and plant delivery vehicles.

Non-current trade and other receivables have reduced to £2.9m (2016: £5.6m) due to a net decrease in long-term house builder land sale payment plans. We anticipate that the level of deferred payment receivables will start to increase as we market and dispose of some of our larger strategic land development schemes over the coming years.

Investments in joint ventures and associates increased to £5.9m (2016: £5.1m) as we continued to invest in property development projects with other parties where we feel there is a mutual benefit. We anticipate that these opportunities will increase as we see a number of interested parties looking to harness our expertise in bringing schemes forward.

The non-current deferred tax asset reduced because of the lower IAS 19 pension deficit. In total, non-current assets increased to £178.0m (2016: £166.5m).

Within current assets, inventories were £144.6m (2016: £137.9m) and saw a reduction in the land portfolio to £101.7m (2016: £107.9m) as we sold, in part, our more capital-intensive owned land whilst investing further in land under option or agency agreements. Property development work in progress increased to £42.9m (2016: £30.0m) as we grow our house builder operation, and increased work in progress on active property development schemes. Trade and other receivables increased to £93.2m (2016: £66.9m) resulting from land sales made on short-term payment deferrals and an increase in construction contract receivables. Cash and cash equivalents increased to £10.3m (2016: £7.4m) and was a result of cash received in December not offset against short-term borrowing at that time. In total, current assets increased to £250.1m (2016: £213.3m).

Current liabilities increased to £125.2m (2016: £105.9m) as trade and other payables increased to £79.4m (2016: £61.1m), resulting from increased property development activity, accounted for as construction contracts. The portion of debt classed as current increased to £34.3m (2016: £33.3m) and provisions decreased to £5.6m (2016: £6.7m) as we continue to meet our infrastructure planning obligations on two land development schemes.

Net current assets increased to £124.9m (2016: £107.4m). This increase is predominantly due to the increase in debtors, offset in part by the increase in creditors, resulting from higher levels of property development activity and house builder deferred income on land disposals.

Non-current liabilities decreased to £32.8m (2016: £40.4m) after trade and other payables decreased to £2.7m (2016: £4.6m) and borrowings decreased to £4.9m (2016: £6.9m), both reductions being a transition to current liabilities and IAS 19 pension liabilities decreased to £22.8m (2016: £26.4m).

Overall, net assets increased by 16% to £270.1m (2016: £233.6m) largely from the increase in retained profits. Net asset value per share increased 15% to 203p (2016: 177p) as we increase the scale of our operations via retained earnings.

Pension scheme

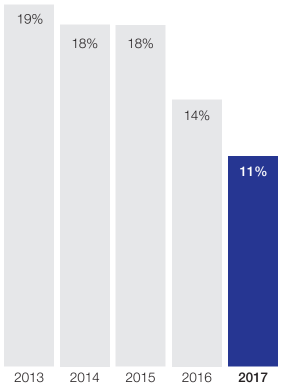
The IAS 19 deficit at 31 December 2017 was £22.8m compared with £26.4m at 31 December 2016 and was again adversely impacted by a further fall in the discount rate applied to future liabilities to 2.5% (2016: 2.8%). Despite this, the Company's contributions and an excellent performance from the pension scheme's assets saw the net deficit reduced by £3.6m (2016: increase £6.8m). As we have noted in previous years, the application of a 3.8% discount rate would result in a negligible deficit and the 2017 scheme asset return was comfortably ahead.

The pension scheme's assets continue to be invested globally, with high quality asset managers, in a broad range of assets. The pension scheme Trustee regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks; they then make changes, as the Trustee considers appropriate, in conjunction with investment advice from KPMG.

DARREN LITTLEWOOD
Group Finance Director
20 April 2018

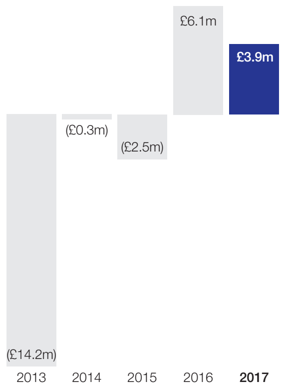
Gearing Levels

11%



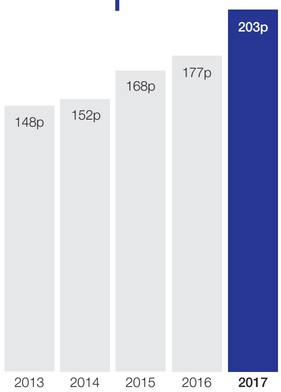
Cash Generation

£3.9m



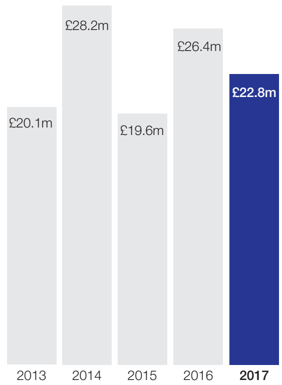
NAV per Share

203p



Pension Scheme Deficit

£22.8m



MANAGING OUR RISK

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

Read about the **Risk management framework** on page 68

The Group operates a system of internal control of risk management and operates a risk management framework. The long-term success of the Group depends on the continual review, assessment and control of the key business risks it faces. To enable stakeholders to appreciate what the business considers are the main operational risks, they are listed below.

Risk and description	Mitigation	Change during the year
Health & Safety **Inherent risk within all of our businesses but most notably within construction activity**	— Priority consideration of all Group and subsidiary board meetings — Robust training, policies, procedures and monitoring — Construction operation is OHSAS 18001 approved Health & Safety management system — Internal independent Health & Safety department conducts regular random inspections — Routine Director, Senior Manager or independent health and safety inspections — Regular externally operated mock incidents	←→
Environmental **The Group is inextricably linked to the property sector and environmental considerations are paramount to our success. The legal, financial and reputational damage which can occur from not being compliant all carry significant risk to the Group**	— Our interaction with the environment and the agencies that have an overarching responsibility has to be positive at all times in order to meet our obligations — Construction environmental risk is managed through the operation of an ISO 14001 approved environmental management system — Internal design helps mitigate environmental planning issues — Record of awards given in respect of good safety and environmental performance — Environmental Impact Assessments are carried out for all construction activities. These detail the action required to eliminate or reduce environmental impacts	←→
Construction **Increased cost and lower availability of skilled labour, subcontractors and building materials leading to reduced activity**	— ISO 9001, ISO 14001 and OHSAS 18001 approved Integrated Management System which details our robust Risk Management processes — Quality training given to develop personnel internally — Pool of approved and checked subcontractors subject to regular review — Group purchasing arrangements and preferred supplier agreements — Forward planning to increase ordering times and availability of materials	↑

Key: ↑ Rise ↓ Fall ←→ Remain

Risk and description	Mitigation	Change during the year
Development **Not developing marketable assets for both tenants and the investment market on time and cost effectively**	— Monthly performance meetings — Defined appraisal process — Monitoring of property market trends — Highly experienced development team — Flexible to market trends in development requirements — Diverse range of sites within the portfolio and over £1bn pipeline of future opportunities	↓
Development **Construction and tenant risk which is not matched by commensurate returns on development projects**	— Construction projects, including returns and cash flows, are monitored monthly by subsidiary company management teams — Seek high level of pre-lets prior to authorising development — Development subject to a ‘hurdle’ profit rate — Shared risk with landowners where applicable	←→
Land **The inability to source, acquire and promote land would have a detrimental effect on the Group’s strategic land portfolio and income stream**	— Monthly operational meetings detail land owned or under control, new opportunities and status of planning — Acquisitions are subject to a formal appraisal process which must exceed the Group-defined rate of return and is subject to approval by the Group’s Executive Directors — Land bank of over 13,000 acres with aspiration to grow further — Finance available to support speculative land purchases — Well respected name within the industry that demonstrates success	←→
Land **A dramatic change in house builder funding sentiment and demand for housing can have a marked change on the demand and pricing profile for land**	— The Group’s policy is to only progress land which is deemed to be of high quality and in prime locations — The business is long-term and is not seriously affected by short-term events, or economic cycles — We recognise cyclicality in our long-term plans and operate with a relatively low level of debt — Greenfield land is probably the most sought-after land to build upon — Long-term demographics show growing trend; therefore demand for land will follow — House builders do have very good land banks and can be choosy regarding what they buy and will target prime locations	←→
Planning **Changes in Government or Government policy towards planning policies could impact on the speed of the planning consent process or the value of sites**	— Large land portfolio can help smooth short-term fluctuations — A high profit margin can be achieved when successful — No revaluations are taken on land through the planning process; therefore, though profits may be smaller if site values fall, the Group should still achieve a good profit margin on sale — The Group’s highly skilled in-house technical and planning teams monitor changes in the market and in the planning process and react accordingly to ensure that planning consents are achieved in a cost-effective and timely manner	↑

Risks and Uncertainties continued

Risk and description	Mitigation	Change during the year
Economic **The Group operates solely in the UK and is closely allied to the real estate, housebuilding and construction sectors. A strong economy with strong tenant demand is vital to create long-term growth in rental and asset values, whilst at the same time creating a healthy market for the construction and plant hire divisions**	— Strong Statement of Financial Position with low gearing and long-term shareholder base means that we can ride out short-term economic fluctuations — Different business streams increase the probability that not all of them are in recession at the same time — The City recognises the Group is a cyclical business and understands performance will be affected by economic cycles — Directors and shareholders share a common goal of less aggressive leveraging than some competitors — Current market conditions are supportive	↑
Personnel **Attraction and retention of the highest calibre people with the appropriate experience is crucial to our long-term growth in the highly competitive labour markets in which the Group works**	— This risk is increased when unemployment falls and labour markets contract — Long-term employment records indicate that good people stay within the Group — The Group encourages equity ownership — Proven record of sharing profits with staff — Succession planning is an inherent part of management process	↑
Funding **The lack of readily available funding to either the Group or third parties to undertake property transactions can have a significant impact on the marketplace in which we operate**	— The Group has agreed three-year facilities with its banking partners, which run to February 2020 and are backed by investment property assets — Detailed cash requirements are forecast up to 15 months in advance and reviewed and revised monthly — As a PLC, access to equity funding is available should this be required	↓
UK exit from European Union **As negotiations unfold we could see further price inflation, reduced market confidence, restrictions to the supply of labour and increased economic uncertainty**	— A large proportion of raw materials are sourced from within the UK — Strong history of performance and close working relationships with customers encourages confidence — Many subcontractors utilise locally sourced labour — Weakness in sterling encourages outside investment — Markets currently remain strong and the Group operates solely within the UK	←→
Cybersecurity **Unauthorised access to systems, hacking, malware and distributed denial of service could all lead to data loss, business disruption, reputational damage or financial loss**	— Employee awareness updates distributed routinely — Use of software and security products and regular updates thereof — Detailed disaster recovery plans — External vulnerability and threat management review	↑
Pension **The Group operates a defined benefit pension scheme which is closed to new members. Whilst the Trustees have a prudent approach to the mix of both return-seeking and fixed-interest assets, times of economic instability can have an impact on those asset values with the result that the reported pension deficit increases. Furthermore, the relationship between implied inflation and long-term gilt yields has a major impact on the pension deficit and the business has little control over those variables**	— Operation of Trustee approved Recovery Plan — Whilst pension schemes are a long-term commitment, regulations require the Group to respond to deficits in the short-term — Move out of gilts will provide a cushion should rates rise — Risk mitigated by move to quoted investments including pooled diversified growth funds — Treat pension scheme as any other business segment to be managed — Strong working relationship maintained between Company sponsor and pension Trustees — Use good quality external firms for acturial and investment advice	↓

Key: ↑ Rise ↓ Fall ←→ Remain

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.

Viability statement
Introduction

The business model and strategy of Henry Boot PLC can be found on pages 16 to 19 and page 22 in the Strategic Report. These documents outline the long-term business model and are central to the understanding of how the Group operates. We have operated the current business model successfully for over 15 years, and have a 132-year unbroken trading history. By their nature, the Group's activities tend to be very long-term, especially in the land promotion business and increasingly within property development. The Group's strategy and experience in all of the markets in which we operate have been built up over many years. Over the last ten years, the Group has reported an average profit before tax of £27m per annum, added almost £88m to net assets (an increase of some 48%) and paid 51.75p per share in dividends, all from the trading segments it now operates, and at no stage in the downturn, between 2008 and 2010, did the Company make a trading loss. Analyst forecasts for the viability assessment period indicate a positive continuation of these financial results, underpinned by the commercial development and land opportunities we already control.

The assessment process

The Group's prospects are assessed through an annual budgeting process led by the main Board Executive Directors and the Boards of the individual subsidiaries. A detailed annual budget is agreed prior to the commencement of the current financial year and reforecasting takes place each month throughout the financial year within each business and consolidated at Group level. The two succeeding years are also forecast, using predominately known and controlled opportunities, to assess the longer term viability of the Group. As a largely deal-driven business, it is considered inappropriate to attempt to forecast further out via an extrapolation of years one to three, albeit asset trading and development is central to the Group's long-term strategy. Stress testing these forecasts highlights that if economic conditions worsen and developments and land sales do not happen as envisaged, we reduce investment and borrow less and, whilst profitability is lower, the stable property investment rental income and construction segment returns cover most of our overhead costs. Whilst we do not foresee it, only a very long-term, unprecedented lack of liquidity in the UK residential and commercial property markets would cause any threat to the viability of the Group.

Assessment of viability

The long-term strategy: the annual budget and the two-year forecasts reflect the Directors' best estimates of the future prospects for the business. We have also reviewed a number of potential viability risks to the Group and consider that the following represent scenarios which, if not carefully managed, could impact on the Group's viability:

Firstly, overtrading developments in progress with the attendant increase in leverage, at the same time as the property cycle turns down, asset values are falling and schemes have to be completed to create best value. This creates a potentially damaging scenario where debt is rising and asset values are falling. Mindful of this scenario, we have prudent debt levels (even at maximum facility utilisation of £72m) and we have pre-sold more than 90% of the current development work in progress.

Secondly, a health and safety related breach that causes a fatality (or similar serious outcome). We manage this risk through a very robust health and safety policy, zero tolerance towards policy breaches and treat health and safety as the first matter for discussion on our company board meeting agendas. Our safety scores continue to be well into the top quartile of the UK construction industry and we have achieved a very safe working environment over the last 20 years.

Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over the three-year period ending 31 March 2021.

Corporate Responsibility

Our reputation gives our customers, employees, stakeholders, suppliers, investors and the communities in which we operate the confidence and trust to do business with us.

What does Corporate Social Responsibility mean to Henry Boot?

Our commitment to being a sustainable business underpins everything that we do; this ethos is fully integrated into our day-to-day operations and it is of the utmost importance for us to demonstrate to our stakeholders our approach and its impacts.

We consistently review and address the key social, ethical and environmental impacts of our operations in a way that aims to bring value to all our stakeholders; our programme supports our approach of acting responsibly whilst we continue to grow, with continuous improvement lying at the heart of our business.

During 2017 we launched 'The Henry Boot Way', a partnership with our employees to shape our business for the future, realigning our Purpose, Vision and Values with a modern Henry Boot. Key to our ongoing success is the positive engagement of our employees working in collaboration with each other to ensure that our business operations are aligned to our overall aims of:

— Acting in an ethical manner;

— Taking care of our employees;

— Being responsible for our impact on the environment;

— Delivering best value to our stakeholders and

— Delivering support through charitable donations.

> **"Henry Boot is a great place to work and we are all proud to work here. Our clients sing our praises too, commenting that we go the extra mile and that we can be depended on to do a great job."**
>
> JOHN SUTCLIFFE
> Chief Executive Officer

We continue to face a number of challenges: we must continue to act fairly and responsibly, ensuring all our stakeholders are provided with a safe environment in which to work and making positive progress by trading responsibly and being a great employer.

RACHEL WHITE
Head of HR

Pictured: Group Finance Director, Darren Littlewood presenting a cheque of £500 to Whirlow Hall Farm, which helped replace the farm's ruined winter feed stocks.

Corporate Responsibility continued

PEOPLE

The Group's employees are at the heart of all that we achieve. Our people are highly talented, successful and motivated individuals who are essential to the success of the Group. We are committed to ensuring that we have the right people working for us.

Our approach

Employee engagement and employee satisfaction are crucial to the continued improvement and success across all of our businesses. It is important we are able to create an environment that enables us to attract and retain the right people to work at every level, who are committed to working together, and who support our core values.

Working at Henry Boot means working in an inspiring and developing environment. We are committed to providing a working environment in which our employees are empowered and can develop to achieve their full potential and have opportunities for both professional and personal development.

We have established policies for recruitment, learning and the development of our employees; we remain committed to investing the time and resource to support, engage and motivate our employees to feel valued, to be able to develop rewarding careers and want to stay with us, and we recruit and promote from within wherever possible.

As our businesses continue to develop and grow, we understand that by retaining and inspiring effective and committed employees, we can continue to deliver excellence to all.

Human rights

Henry Boot PLC is committed to the UN's Guiding Principles on Business and Human Rights. Protecting and preserving human rights is embedded in our culture and is fundamental to our core values. This is reflected in our policies relating to anti-corruption, diversity, and whistleblowing, coupled with our actions towards our people, suppliers, clients and the communities in which we operate.

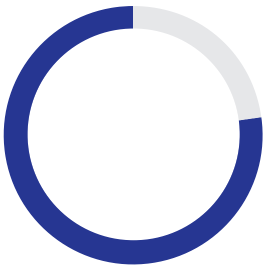
Modern slavery

The Henry Boot Group has, following the introduction of the Modern Slavery Act 2015 (the 'Act') implemented a number of measures which seek to bring about greater transparency and scrutiny into our various supply chains, in order to combat slavery and trafficking activities. Further to this, over the past year we have been reviewing the measures put in place and seeking to identify additional actions to strengthen our due diligence and transparency. We have updated our Human Trafficking and Slavery Statement (the 'Statement'), setting out the introductory activities undertaken to reduce the risk of slavery and trafficking activities being present within our business operations. These measures include the introduction of an Anti-Slavery Policy, due

Pictured below: Tom Brady, Trainee Planner, using a theodolite on site at Hull University.

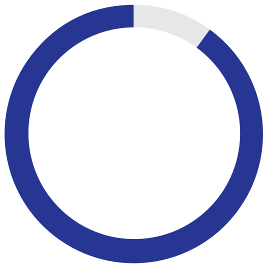
Gender diversity

All employees



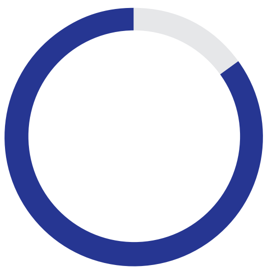
Male	77%
Female	23%

Directors



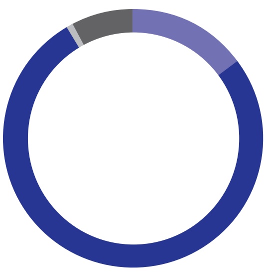
Male	90%
Female	10%

Senior managers



Male	85%
Female	15%

As at 31 December 2017 the active membership of the pension arrangements stood at (employees):



The Henry Boot Staff Pension & Life Assurance Scheme	82
Henry Boot PLC Group Stakeholder Pension Plan	422*
Road Link (A69) Limited Pension Plan	5
Stonebridge Projects Limited Pension Plan†	42

*65 employees within this total have invested their residual salary from The Henry Boot Staff Pension and Life Assurance Scheme into the Henry Boot PLC Group Stakeholder Pension Plan.

† From 01 January 2018 this section is named Stonebridge Homes Limited Pension Plan

diligence requirements, and mandatory contract clauses seeking compliance by our supply chain with appropriate anti-slavery measures. Our updated Statement and Policy for 2018 sets out the measures to be put in place during 2018 to increase knowledge and vigilance throughout our organisation and supply chain, and we will be regularly working with our partners, contractors, suppliers and other stakeholders to bring these measures into effect, to review their effectiveness and consider any changes or additional measures as appropriate.

Diversity and inclusion

The approach of Henry Boot PLC is underpinned by our belief that all individuals should be treated fairly and should have access to equal opportunities regardless of their status. Our Equality & Diversity Policy states that no prospective employee should receive less favourable treatment on the grounds of, among other characteristics, disability. We have continued the employment, wherever possible, of any person who becomes disabled during their employment with us, and opportunities for learning, career development and promotion do not operate to the detriment of disabled employees.

Gender pay equality

The Group opted to be an early adopter and reported in 2016 in relation to the Equality Act 2010 (Gender Pay Information) Regulations 2017. Further development of the Regulations in 2017 means that we are not obligated by statute to report our gender pay gap as we do not meet the required reporting thresholds. However, we will continue to report voluntarily.

Our mean gender pay gap is currently 27.22% (2016: 27.02%) which for Henry Boot is reflective of the ratio of men and women employed at just over 3:1 rather than an issue relating to how we pay our people.

We have a disproportionate number of women in all roles and therefore our data is skewed; we believe that without a representative increase in the number of women we employ, the gap will be difficult to reduce. We have a number of employment policies in place around flexible working which we hope will see our gender split decrease over time and have a positive impact on our gender pay gap. We have a number of our high profile female employees involved in initiatives to encourage women into construction and its associated industries and have worked with a local girls school to establish an attraction strategy to encourage construction and its associated industries as a positive career choice.

Our pension arrangements

During 2017 we continued to operate two pension schemes. Employees are members of either The Henry Boot Staff Pension and Life Assurance Scheme (defined benefit pension closed to new members in 2004 and subject to a salary cap from 2012) or the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution pension).

Corporate Responsibility continued

Employees who are members of The Henry Boot Staff Pension and Life Assurance Scheme have the opportunity to join the Henry Boot PLC Group Stakeholder Pension Plan, investing their residual salary, i.e. the difference between their actual salary and their capped pensionable salary, in The Henry Boot Staff Pension and Life Assurance Scheme.

Henry Boot PLC has implemented the UK's auto-enrolment pension requirements; this is provided by AVIVA. Employees are informed of auto-enrolment and other pension choices through letters and online via the Group Intranet. In 2017, we auto-escalated our pension contributions to a minimum of 4% matched by the Company, with a view to a final escalation to 5% matched by the Company in 2018.

Our performance

As part of our push for excellence among our employees, we have robust recruitment procedures in place. Continuing from 2016 we saw a further increase in levels of recruitment in 2017 across all our businesses including the opening of a new office in Birmingham and are cautiously optimistic about the future. Our turnover remains low at 14.2% (2016: 12.4%).

In 2017 we delivered 1,532 training days (2016: 1,057); in addition to this and in recognition of the diverse range of skills within our workforce, there was also an unquantifiable amount of ad hoc learning and development which takes place on a daily basis on our sites, in our offices and depots. In response to employee requirements and the further development and enhancement of e-learning provision, we now deliver a range of courses by this medium which allows our employees to refresh specific technical skills from their desks.

In 2017 we recruited 13 trainees and apprentices across our businesses; all trainees and apprentices are enrolled on formal courses of education and have development plans in place to gain operational and technical knowledge from mentors. Our preferred succession planning method is one of in-house development and growth; consequently we also have a number of experienced employees enrolled on formalised education programmes to enhance their skills and knowledge in anticipation of career development and promotion within the business in which they operate.

We anticipate an increase in the number of apprentice recruits in 2018, primarily as part of our succession plans but also in response to the introduction of the Apprenticeship Levy.

In 2017, Trainee Technician Lydia McGuinness was awarded the Further Education Student of the Year at the Generation for Change (G4C) Awards. These awards provide an exclusive opportunity for companies based within the Yorkshire and Humber region to celebrate outstanding examples of excellence and best practice within the sector, and are passionate about focusing on young people and showcasing young talent in the industry.

"I am so honoured to have received the Further Education Student of the Year Award from the G4C. Credit is shared with my colleagues at Henry Boot Construction who have given me so much support and encouragement. The pride I have in working for this company comes from the commitment they have in developing their young employees."

LYDIA McGUINNESS
Trainee Technician

HEALTH AND SAFETY

A fundamental commitment of the Group is to ensure that the health, safety and welfare of our employees, stakeholders and the wider public is safeguarded.

Our approach

Henry Boot PLC continues to focus on health and safety as our primary business priority. We remain committed to providing a safe and healthy working environment for our employees, stakeholders and contractors. We operate all our business activities on the principle that good management of health and safety is fundamental in creating a safe and healthy working environment, and contributes to improving our business performance. We expect our leadership teams to manage all aspects of our business in a safe manner, and employ practical measures to eliminate or minimise risk.

We have developed practical and safe systems of work which is borne out by the Company's exemplary safety statistics. Continuous improvement is a key driver and we cannot stand still on this vital area of risk management. All employees receive health and safety training relevant to the job role they perform. By developing communications and knowledge in this key area we are enabling our employees to improve the way we recognise hazards and reduce risk.

"Every Henry Boot employee is empowered to never accept unsafe attitudes and to ensure Health and Safety is an integral aspect to how we operate as a Group."

BRENDON KEOWN
Group Health, Safety and Environmental Manager

Our performance

We continue to benchmark our Construction segment health and safety performance against Constructing Excellence Health and Safety Key Performance Indicators; we are delighted to report that for another year our Accident Frequency Rate (AFR) for our directly employed employees is again zero. We are also delighted to report a reduction in our AFR to 0.05 per 100,000 hours worked including our subcontractors (2016: 0.17).

We believe that offering the right opportunities will help ensure our employees feel supported and equipped to carry out their role to the best of their ability and manage the needs and challenges of the business. Our employees are able to access a range of development tools or job specific training appropriate to their needs. In 2017, in response to requirements for more responsive and focused training, we introduced an e-learning platform which allows our employees to complete a selection of compliance training while at their desks.

During 2017, as part of the launch of 'The Henry Boot Way', and to encourage the drinking of more water in the workplace while removing single use plastics, all our employees were issued with a promotional water bottle which they can use to ensure they remain hydrated. As we look to 2018, we will focus on the health and well-being of our employees as a priority.

We continue to receive recognition for our efforts in managing health and safety and we were again recipients of a Company-wide RoSPA Gold Medal Award for our project at St Helena, Chesterfield, CIOB Celebrating Construction in Humber & West Yorkshire Contractor of the Year and the Health & Safety Award.

OUR COMMUNITIES

We are dedicated to supporting our communities, both where we are based and throughout our UK-wide operations.

Our approach

As a Group we contribute to the social and economic impacts on the communities in which we operate. With a nationwide presence, and a regionalised focus in Yorkshire, we offer support to a wide range of charities and organisations of all sizes, by working to provide them with donations that are of most benefit to them and their particular cause, whether it be a financial donation or our wide and varied expertise.

Our areas of focus are:

- Charities and organisations local to our business operations;
- Charities and organisations that support educational improvements for children/adults;
- Charities and organisations that support social improvement through sport.

Where a request for support falls outside of this criteria, we signpost the applicants (if eligible) to South Yorkshire Community Foundation where the Company has a number of endowment funds which offer grants. Further details are on our website.

> "We have developed a great relationship with the St Luke's team and hope to continue to develop it in the forthcoming years. They really got involved in helping me and the committee to organise last year's events, and were always keen to support us whenever possible. I was so proud to have been part of the team that raised such an incredible sum to support their work."
>
> AMY OAKLEY
> Group Construction Solicitor

Our performance

We continue to support and promote a wide range of charitable giving and community volunteering initiatives by employees, focusing on activities that best reflect the needs of their local community and issues of direct significance for them.

This year, the Group contributed £80,503 (2016: £65,130) to charitable causes, £18,956 of which was through our Give As You Earn payroll giving mechanism (2016: £15,580).

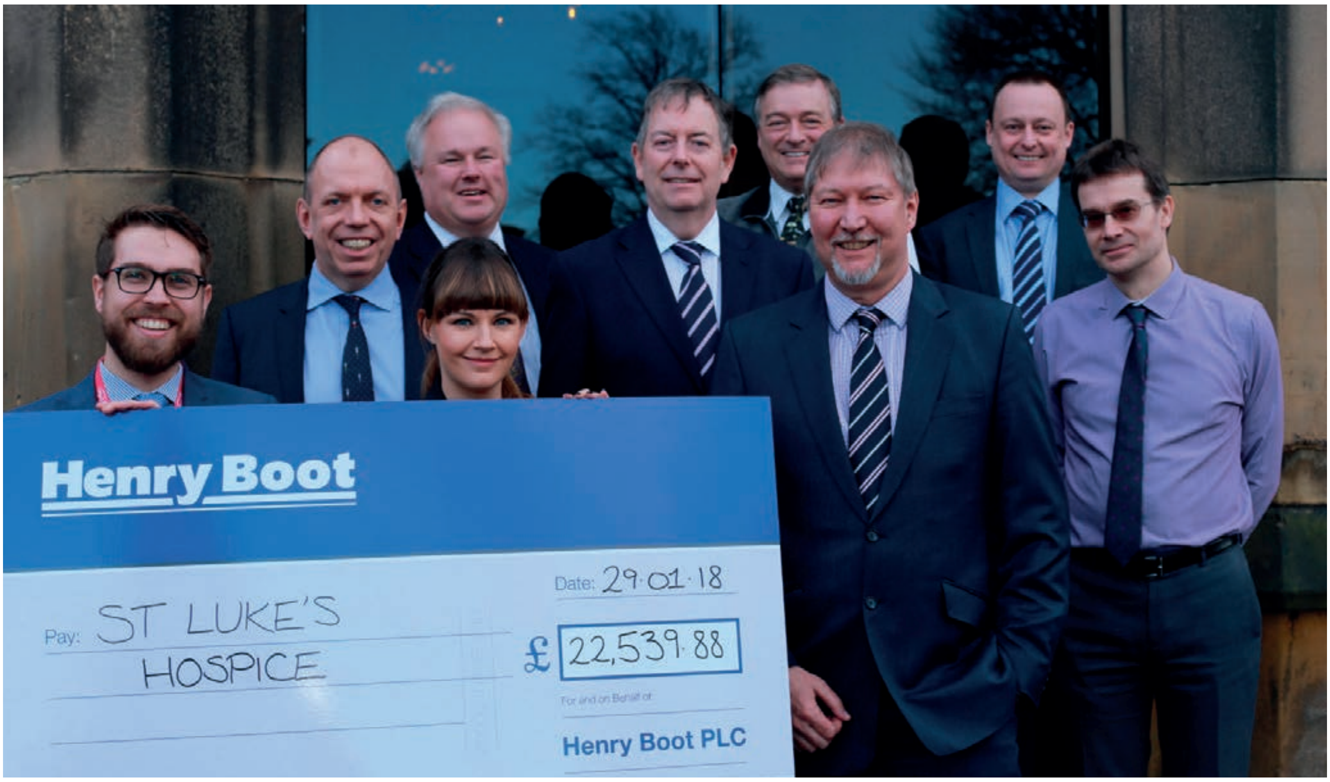
2017 saw the Group select a Charity of the Year for the first time; we were delighted to continue to support our friends at St Luke's Hospice. After taking part in the Master Cutler's Challenge 2016, Henry Boot Group of Companies formed a special relationship with St Luke's, who were one of the benefactors that year. St Luke's are a Sheffield charity caring for people aged 18 and above throughout the city who have terminal illnesses. Their aim is to control their symptoms, alleviate pain, and give them the best possible quality of life, which of course being a charity is all free of charge.

We formed an internal committee, with members across the whole Group, to come up with ideas and events to ensure we achieved the same success as in previous years. While the list below contains some familiar fixtures, the committee managed to once again come up with some great events, including:

- Dress Down Day
- Sales from IT equipment
- Employee "Give an hour"
- St Luke's Raffle
- Bake Off
- Wold Walk
- Race Night at Owlerton Stadium, Hillsborough
- Summer BBQ

It was great to see so much support, not only from our employees but from St Luke's as well, who throughout the year continually provided us with support with all our fundraising events and staff interaction.

At the end of the year the Group managed to raise £22,539.88 for St Luke's, a total everyone at Henry Boot should be very proud of. To have raised this amount for a truly fantastic cause is amazing but to have done it with St Luke's as a partnership will always make 2017 a memorable year.



"We are so grateful to everyone at Henry Boot for the amazing support they have given to St Luke's. We have formed a fantastic working relationship with their team and have been consistently impressed by their dedication, commitment and passion for supporting our vital work caring for adults with a terminal illness and their loved ones and families in Sheffield. The Henry Boot team developed and delivered an exciting range of fundraising events and opportunities and everyone here at St Luke's is very grateful for the impact they have had on our work."

JACK KIDDER
Corporate Fundraising Manager - St Luke's Hospice

Pictured: Presentation of cheque to St Luke's Hospice

ENVIRONMENT

We are committed to protecting and enhancing the environment in the course of all our areas of operations and are proud of our team's expertise and enthusiasm in making this happen.

Our approach

We recognise that we have a responsibility and an obligation to reduce the direct impact of all our business operations on the natural environment, both now and in the future. Reducing our emissions is one way in which we hope to achieve this. Our aim is to create more sustainable ways of undertaking our business operations to conserve energy, save money and deliver efficiency.

Our performance

Our priorities are to:

— Minimise waste produced;

— Increase recycling; and

— Improve energy efficiency and reduce energy use.

> "As a responsible business, we are committed to minimising the environmental impact of our business operations by applying robust environmental management controls and best practice. Construction activities operate to an Environmental Management System, approved to ISO 14001, which ensures that environmental impacts are minimised on every project and that we continually improve our environmental performance and credentials."

RICHARD GRAFTON
Head of Policy & Compliance

Pictured: Banner Plant's eco cabins have a number of energy saving devices which help keep the carbon footprint to a minimum on site.

Henry Boot Group CO_2 footprint by source

Henry Boot Group CO_2e emissions	**2017 Tonnes**	2016 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities	**2,222**	2,060	Rise
Scope 2: Electricity, heat, steam and cooling purchased for own use	**1,075**	1,133	Fall
Total direct emissions	**3,297**	3,193	Rise
Total direct emissions per employee[1]	**6.8 tonnes CO_2e**	7.2 tonnes CO_2e	Fall
Scope 3: Upstream and downstream indirect emissions	**1,115**	952	Rise
Total emissions	**4,412**	4,145	Rise
Total emissions per employee[1]	**9.1 tonnes CO_2e**	9.4 tonnes CO_2e	Fall

[1] Employee numbers are based on the monthly average for the year

Carbon emissions by segment

Henry Boot Group CO_2e emissions	**2017 Tonnes of CO_2e**	**2017 Intensity Ratio Tonnes of CO_2e**	2016 Tonnes of CO_2e	2016 Intensity Ratio Tonnes of CO_2e	Intensity Basis	Trend
Property investment and development	**994**	**2.3**	1,076	2.5	per 1,000 sq ft of investment property with communal areas	Fall
Land development	**79**	**2.32**	117	3.56	per employee	Fall
Construction	**3,118**	**38.10**	2,765	34.8	per £1m of turnover	Rise
Group overheads	**221**	**3.95**	187	3.53	per employee	Rise
Total gross controlled emissions	**4,412**		4,145			

Our greenhouse gas emissions for the year ended 31 December 2017 were calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (2011 edition) and emission factors from UK Government GHG Conversion Factors for Company Reporting 2017.

Our direct and indirect operational greenhouse gas emissions are shown in the tables above. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our financial statements.

Overall the Group's greenhouse gas emissions have increased by 6% when compared with those of the previous year; this equates to a reduction of 0.3 tonnes per employee.

For further information on our greenhouse gas emissions please see our website.