Henry Boot PLC
Annual Report and Financial Statements
for the year ended 31 December 2022

WELCOME TO OUR ANNUAL REPORT 2022

WE ARE A PURPOSE LED BUSINESS

Our Purpose

To empower and develop our people to create long-term value and sustainable growth for our stakeholders. Our stakeholders are our shareholders, employees, pensioners, customers and suppliers. More broadly, we recognise our duties to the environment and the communities in which we operate.

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

Our approach to Responsible Business and ESG

Our Responsible Business Strategy sets out medium-term objectives which we aim to achieve by the end of 2025. It aims to incorporate and align our approach to environmental, social and governance (ESG) with our commercial strategy to ensure our activity and performance is influenced by our Purpose and Values.

Ultimately, It is essential that responsibility is at the core of our business activity, including our Strategy, Vision and Values.

INSIDE THIS REPORT

Group at a Glance
Find out more about the Group's operations.

Read **Group at a Glance** on pages 08 to 11

Read about our **137 history** at **www.henryboot.co.uk**

Business Model
We have a long-standing and proven business model which is key to how we create value for our stakeholders.

Read the **Business Model** on pages 20 to 23

Watch the **Business Model Video** at **www.henryboot.co.uk**

Our focused Key Markets
The Group operates within three key markets: Industrial and Logistics, Residential and Urban Development.

Read about our **Markets** on pages 24 to 27

Responsible Business
Our approach to ESG and creating social value within the communities we operate in.

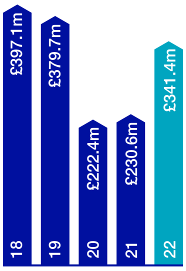
Read our **Responsible Business Approach** on pages 32 to 36

View our **Online Annual Report at henryboot.annualreport2022.com**

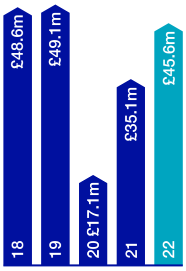
HIGHLIGHTS

Financial Highlights

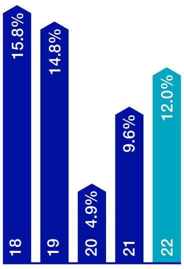
Group Revenue
£341.4m



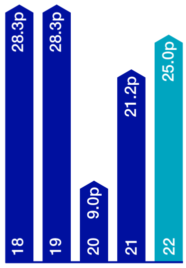
Profit Before Tax
£45.6m



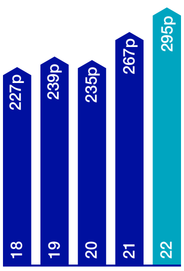
ROCE
12.0%



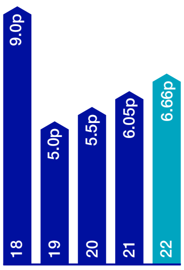
Earnings per Ordinary Share
25.0p



Net Asset Value per Ordinary Share
295p



Dividend per Ordinary Share
6.66p



Operational highlights

- £279m of sales led by our land promotion, property development and housebuilding businesses making the most of strong markets in the first half of the year
- Selective approach to acquisitions throughout the year, totalling £28.4m, including £27m of strategic investment to grow Hallam Land Management and Stonebridge Homes' land holdings
- Continued investment in our £240m high-quality committed development programme where costs are 97% fixed
- **Land Promotion**
  - A record of 3,869 plots sold (2021: 3,008), driven by a major disposal at Didcot of 2,170 plots
  - 9,431 plots with planning permission (2021: 12,865), leaving Hallam Land Management well positioned against a backdrop of an increasingly constrained planning system
- **Property Investment & Development**
  - Significant committed development programme of £240m, with 63% pre-sold or pre-let
  - Over 1m sq ft of Industrial & Logistics development underway (HBD Share: £150m GDV)
  - £1.5bn development pipeline (Henry Boot share £1.25bn), 65% of which is focused on supply-constrained Industrial & Logistics markets, where occupier demand remains robust
  - Well timed sales within the investment portfolio of £29.6m, at an average 17% premium to the last reported book value, contributed to total return outperformance of -1.5% versus CBRE Index of -9.1%
  - Stonebridge Homes completed 175 homes (124 private/51 social) (2021: 120), at an average selling price for private homes of £503k (2021: £509k). Total owned and controlled land bank is now 1,094 plots (2021: 1,157) with detailed or outline planning permission on 872 plots (2021: 912)
- **Construction**
  - The construction business performed ahead of budget with turnover of £101.5m (52% from public sector) out of £128.6m segment total and has secured 68% of 2023 order book
  - Banner Plant has seen record levels of trading activity after experiencing strong demand from its customers and Road Link (A69) has performed well as a result of increasing traffic volumes
- **Responsible Business**
  - Continuing to make good progress against our Responsible Business Strategy targets and objectives, launched in January 2022

NOTES:

This report contains the following alternative performance measures (APM): Underlying profit. Return on Capital Employed. Net Asset Value (NAV) per share. Net (debt)/cash. Total Accounting Return.

More details can be found on page 49.

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

CLEAR MEDIUM-TERM STRATEGIC OBJECTIVES

Our strategy is guided by medium-term strategic objectives

GROWTH AND DELIVERY

To grow capital employed
Medium-term Target
£500m

Return on average capital employed
Medium-term Target
10-15%

Grow Hallam Land's plot sales
Medium-term Target
c.3,500 pa

Grow HBD development completions
Medium-term Target
c.£200m pa

Grow investment portfolio value
Medium-term Target
£150m

Grow Stonebridge Homes house sales
Medium-term Target
600 units pa

PEOPLE AND SAFETY

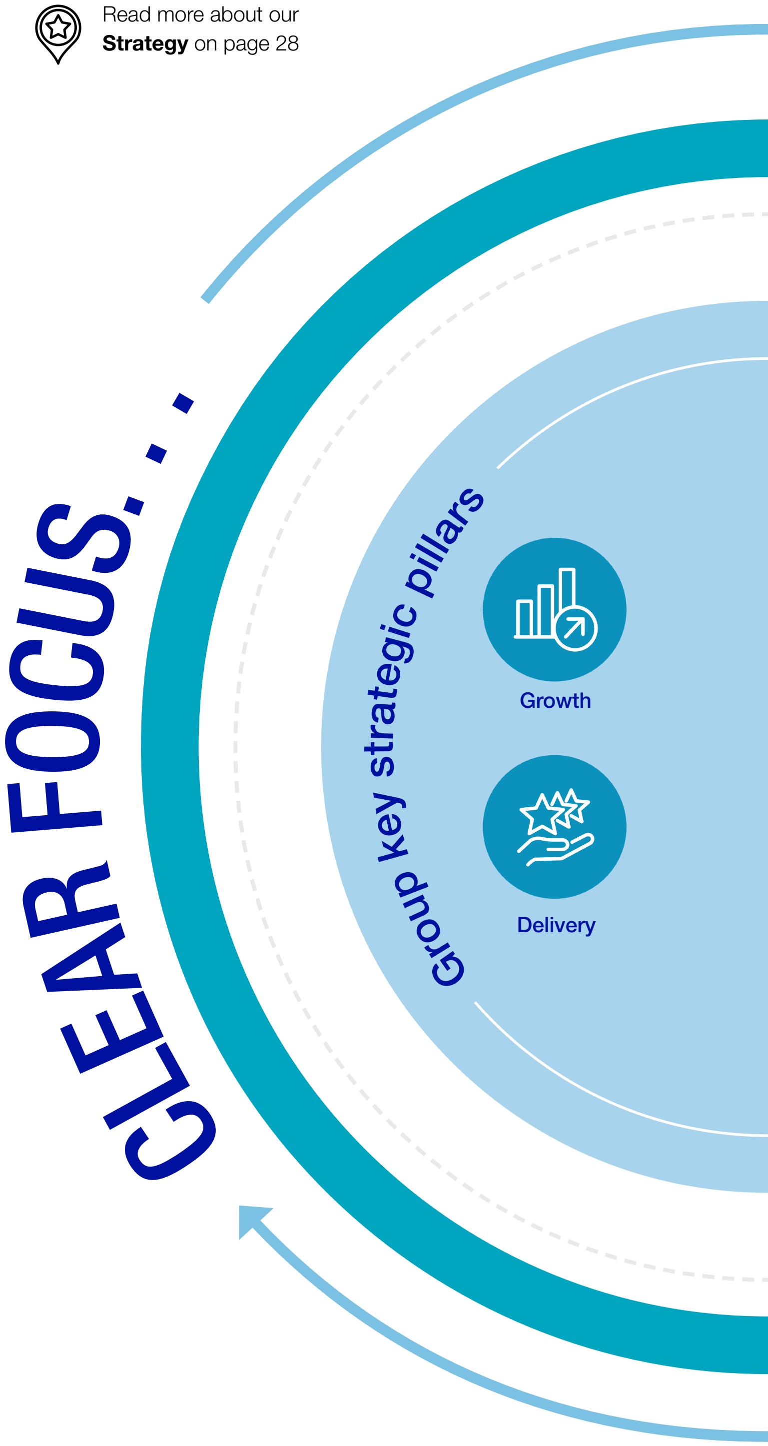
Work towards a more coordinated H&S approach to ensure our Group is a safe place to work
Medium-term Target
<395 Accident Incident Rate

Reduce directly controlled greenhouse gas (GHG) emissions
Medium-term Target
20% reduction

Seek high levels of employee satisfaction and engagement
Medium-term Target
40 eNPS

Create a high performance culture led by a range of training opportunities
Medium-term Target
4 days (per employee)

Read more about our **Strategy** on page 28



Focus on our three core long-term markets

The Group operates in three key sustainable markets:

INDUSTRIAL & LOGISTICS

Long-term drivers
Occupier demand remains robust and low vacancy rates continue to drive rental growth.

RESIDENTIAL

Long-term drivers
Rise in mortgage rates post 'mini-budget' have slowed sales rates but supply of new homes remains low, leaving the Group in a strong position.

URBAN DEVELOPMENT

Long-term drivers
Dominant centres are still attractive to younger people, whilst there has been a recovery in regional office take-up with occupier focus on high quality agile/green buildings.

Read about our **Core Markets** on pages 24 to 27

2025 RESPONSIBLE BUSINESS STRATEGY

We have always understood and been influenced by the responsibility we have to create sustainable and long-term value for the communities and environments we operate in.

ESG factors are becoming an increasingly important focus for investors, customers, our people, and the general public intensified by global events and climate change. We are working hard to ensure that our long-term business decisions incorporate the way we protect and collaborate with our people, partners, places and planet. It is essential that we ensure responsibility is at the core of our business and values.

The foundations we lay – Phase 1 of our Responsible Business Strategy (135 Henry Boot).

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

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

Phase 2 sets ambitious objectives and targets for the medium-term:

Ensuring we maintain our bold and determined approach to achieving significant environmental and social value through our work. The objectives that we have set out in our Responsible Business Strategy are:

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

PILLAR 1 – OUR PEOPLE

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

PILLAR 2 – OUR PLACES

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

PILLAR 3 – OUR PLANET

We will protect and preserve our planet by reducing our environment impact, consuming responsibly and safe-guarding our environments.

PILLAR 4 – OUR PARTNERS

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

THE GROUP'S BEST EVER FINANCIAL RESULTS

Henry Boot has benefited from strong sales activity which helped drive a 30% increase in profit before tax (PBT) to £45.6m (December 2021: £35.1m). In 2022, we completed and exchanged on £279m of sales within our property development, strategic land and housebuilding businesses, which delivered the Group's best ever financial results of £56.1m on an underlying profit basis before revaluation movements on completed investment property. Whilst we are cautious with respect to the near-term trading climate as the economy adjusts to a higher interest rate environment, I am pleased to report that the Group continues to make progress against its strategic objectives, and we remain confident about achieving its medium-term growth and return targets.

£56.1m

UNDERLYING PROFIT (2021: £29.3M)

295p

NET ASSET VALUE PER SHARE (2021: 267P)

Read the **Business Review** on pages 38 to 44

The Group's financial position remains robust, with TAR[5] at 12.8%, reflecting the growth of NAV per share plus dividends paid. The business has remained purposefully selective on new projects investing £28.4m into new opportunities, with net debt increasing only marginally to £48.6m (2021: £40.5m) and gearing remaining low at 12.3% (2021: 11.4%), providing flexibility from a position of strength to react to any opportunities we see in the market.

On the basis of the Group's strong commercial and financial performance, the Board proposes to pay a final dividend of 4.00p per share, which together with the 2.66p interim dividend, gives a total of 6.66p (2021: 6.05p), an increase of 10.1% for the year. This will be paid on 2 June 2023 to shareholders on the register at the close of business on 5 May 2023.

In 2022 we launched our Responsible Business Strategy, and I am pleased to report we are making good progress against our targets. Our commitment to addressing climate

Pictured above: The Isaacs Building in Sheffield city centre, which will provide a new head office space for Henry Boot in line with the modern and progressive vision of the company

change and reducing our environmental impact remains a key focus. We are proud of the progress made to lower our total direct GHG emissions (Scopes 1 and 2), which were 12% lower than our 2019 baseline, and the efforts our people have made to support our targets through how they work and travel.

Each year we conduct an independent Group Employee Engagement Survey, through the HIVE HR platform, to gain feedback from our people so we can continue to improve our employee experience and provide a positive culture and workplace environment. The 2022 survey continues to show very high levels of advocacy, pride and loyalty in Henry Boot, achieving an increased employee Net Promoter Score (eNPS) of 39 (2021: 26), which is ranked at the top of the very good range.

Finally, as the Group continues to grow and evolve as a diverse and progressive business, we have made the decision to relocate our Head Office from Banner Cross Hall to the Isaacs Building in Sheffield city centre this autumn. Isaacs Building is a seven-storey development in which we have taken 12,800 sq ft across the top three floors. The building offers greater collaboration space and excellent transportation links, as well as supporting our 2030 NZC commitments.

On behalf of the Board, I would like to thank everyone at Henry Boot for their dedication and hard work. Their high levels of engagement have once again been instrumental to the business in producing such a strong set of results against a challenging backdrop.

PETER MAWSON
CHAIR

This report contains the following alternative performance measures (APM): Underlying profit. Return on Capital Employed. Net Asset Value (NAV) per share. Net (debt)/cash. Total Accounting Return.

More details can be found on page 49.

GROUP AT A GLANCE

Established in 1886, we are one of the UK's leading land development, property investment and development and construction companies.

We manage the combined effort and expertise of six primary subsidiaries, investing in our future to create long-term value and robust returns for all our stakeholders and partners. With our uniquely sustainable business model we have built a market-leading Group of Companies that source, develop and deliver across the whole property value-chain. We have been in business for over 135 years and we are valued for our expertise and forward thinking approach.

Our Geographical Reach

National coverage and strategic sites

The head office of the Henry Boot Group is located in Sheffield but we operate throughout the country. We have nine regional offices and seven plant hire centres to ensure we are close to our strategic sites and we are able to maximise our development opportunities.

Key

- Head Offices
- Regional Offices
- Hire Centres

Our Core Values

All our operations are carried out in accordance with our six key values: Respect, Loyalty, Delivery, Adaptability, Integrity and Collaboration. These values are imperative to our success, and our people continue to live by them in both their individual and collaborative roles.

Respect

Loyalty

Delivery

Adaptability

Integrity

Collaboration

Our Strategic Priorities

Our strategy is shaped by four key strategic pillars – Safety and the Environment, People, Growth and Delivery. Being purpose-led allows us to create long-term value for our stakeholders and ultimately achieve our vision.

Safety and the Environment

People

Growth

Delivery

Read the Strategy on pages 28 to 31

Pictured: Setl, delivering 101 premium apartments within Birmingham's Jewellery Quarter.

GROUP AT A GLANCE

Our Group is over 135 years old and contains six primary subsidiaries that operate across our three key markets.

3,869
PLOTS SOLD BY HALLAM LAND MANAGEMENT

95,704
PLOTS IN THE LAND PORTFOLIO

£117m
DEVELOPMENT COMPLETIONS (HBD SHARE £83M)

£106m
INVESTMENT PORTFOLIO (INCLUDING OUR SHARE OF JOINT VENTURES)

175
STONEBRIDGE HOMES COMPLETIONS

£101.5m
CONSTRUCTION TURNOVER

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

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

LAND PROMOTION

Hallam Land Management Limited

The strategic land and planning promotion arm of the Henry Boot Group.

Since 1990 we have been acquiring, promoting and developing land and have an outstanding record in achieving planning permission. Hallam Land has a strategic land bank focused on higher value locations in the South and Midlands, and in total has the potential to deliver around 95,704 residential plots.

Key Markets:
- Residential
- Industrial & Logistics

Revenue Stream

How Land Promotion is well-positioned for the long-term

- A land bank of c.96,000 plots
- A total of 9,431 plots with planning permission, of which 992 have been exchanged for sale in 2023/24
- 12,297 plots currently awaiting planning determination

Read more on pages 38 to 39

PROPERTY INVESTMENT AND DEVELOPMENT

Henry Boot Developments Limited

HBD (Henry Boot Developments) is a UK based property developer working with a £1.25bn pipeline. Specialising in industrial and logistics, urban regeneration and residential projects, HBD creates profitable and impactful places in the communities that we work.

Key Markets:

Industrial & Logistics

Residential

Urban Development

Revenue Stream

Stonebridge Homes Limited

Stonebridge Homes is a jointly owned company (controlled by Henry Boot PLC), operating throughout Yorkshire and with a well-deserved reputation for building quality, high specification homes in sought after locations and with a proven track record in delivering successful housing schemes.

Over the last ten years, Stonebridge Homes has successfully delivered over 25 developments. They have sustainable plans for growth that has seen them launch their first new development in Barnard Castle in the North East of England in 2022, and increase the number of outlets in Yorkshire, whilst beginning to substantially increase delivery to become a multi-regional business.

Key Markets:

Residential

Revenue Stream

How Property Investment and Development is well-positioned for the long-term

- HBD has a committed development programme worth £395m (£240m HBD share), 63% of which has been pre-let or pre-sold
- A long-term pipeline of £1.25bn, comprising 65% Industrial & Logistics, 20% Urban Commercial and 15% Urban Residential
- The investment portfolio has been valued at £106m, with expected growth in the medium-term
- Stonebridge Homes has a total land bank of 1,094 units or based on one-year forward sales, 4.4 years supply (with 872 plots having planning permission)

Read more on pages 40 to 43

CONSTRUCTION

Henry Boot Construction Limited

A regional construction services provider to both public and private sector customers, delivering sustainable, customer-focused solutions and building strong partnering relationships to ensure the best outcomes for all projects.

Key Markets:

Industrial & Logistics

Residential

Urban Development

Revenue Stream

Banner Plant Limited

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

Road Link (A69) Limited

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

How Construction is well-positioned for the long-term

- Henry Boot Construction's order book is 68% secured for 2023
- Three urban development schemes with a total contract value of £129m are progressing well
- 94% of secured order book has fixed price orders placed or contractual inflation clauses
- Well positioned as a partner on 10 public sector frameworks

Read more on page 44

INVESTMENT CASE

FIVE REASONS TO INVEST

1

Shareholder returns

The Company has a great track record of creating shareholder value through our strategic focus of delivering sustainable growth. The Group has achieved a total shareholder return (TSR) of 10.5% per annum over 20 years, which is significantly ahead of the FTSE All-Share index of 7.9%.

2

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

Our focus remains committed to achieving long-term growth within our three key markets – Industrial & Logistics, Residential and Urban Development. There were strong levels of demand across our key markets throughout the majority of 2022, leaving us confident in our ability to achieve our medium-term growth and return targets. However, despite witnessing a marked slowdown in Q4 22, in the early stages of 2023 there have been encouraging signs that demand is recovering with a resumption of activity in our markets.

3

Significant embedded value in the business

There is significant embedded value across the Group, with all the opportunities sitting within the Group's three key markets. This includes c.96,000 strategic land plots (of which 9,431 have planning permission) and a £1.25bn development pipeline (with 65% focused on Industrial & Logistics). Adding to this, we have a growing housebuilder, with a land bank of 1,094 units which equates to 4.4 years supply based on a one year rolling forward sales forecast for land.

4

Our culture: the Henry Boot way of doing things

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

5

Responsible Business approach

We launched the second phase of our Responsible Business Strategy in January 2022. The Strategy outlines forward-looking targets aimed at further embedding our ESG approach into the Group's commercial and strategic decision making, which we continue to work towards.

OUR STRENGTHS

Our diversified businesses

Henry Boot operates across the whole property value chain.

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

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

Our planning and development expertise

The Group has been in business for over 135 years and we are valued for our expertise and forward-thinking approach.

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

Our capital structure

We reinvest the cash generated from our investment portfolio and construction business into profitable areas of the business.

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

Our relationships

We have close relationships with landowners', key property advisers to alert us to potential opportunities; and planning consultants and legal advisers for knowledge and guidance.

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

STRATEGIC VALUE IN THE BUSINESS

LAND PROMOTION

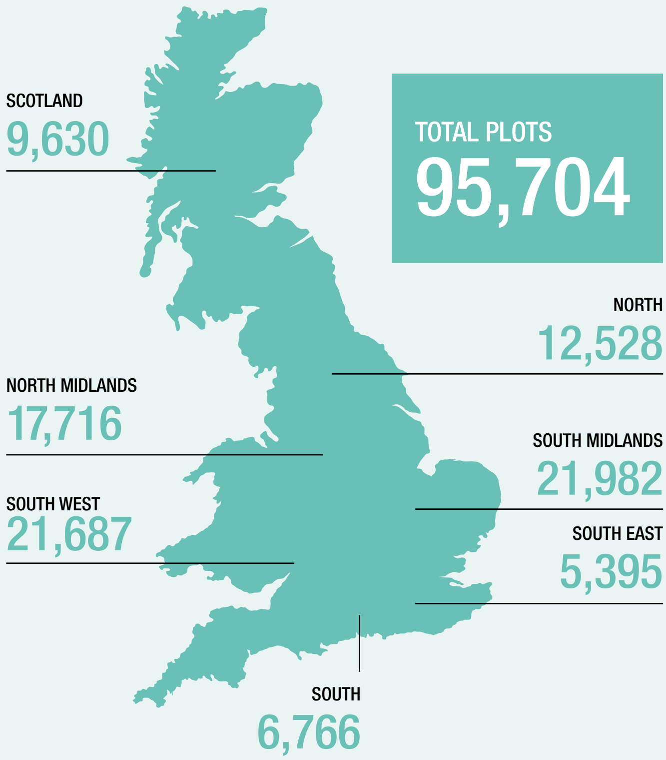
LAND BANK

Regional breakdown

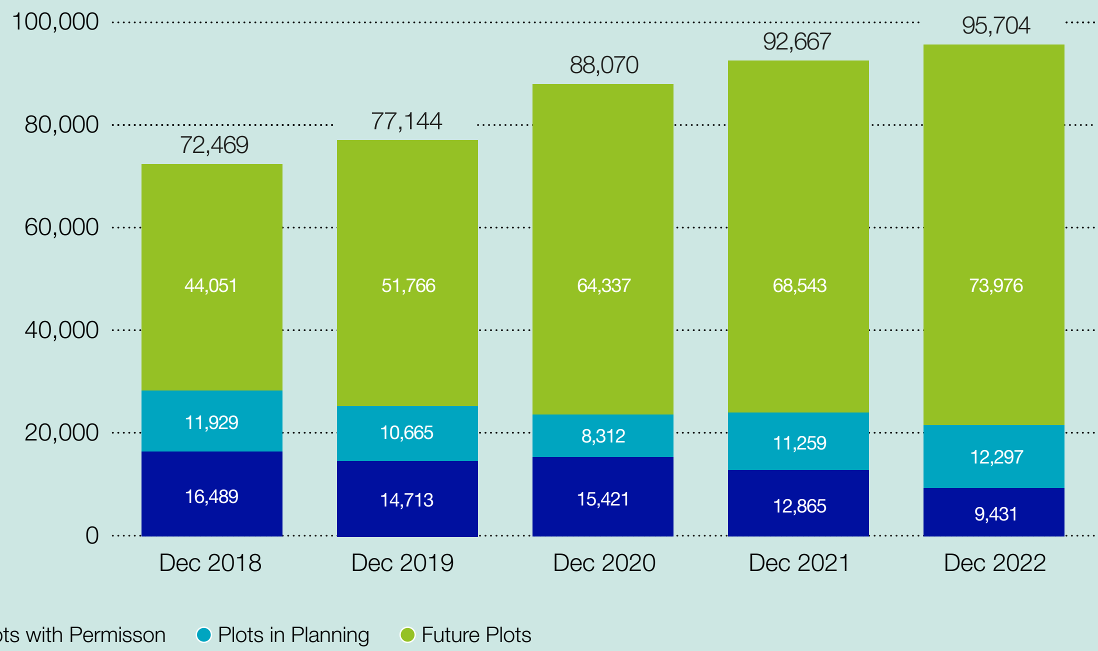
10% PLOTS WITH PERMISSION

13% PLOTS IN PLANNING

77% FUTURE PLOTS



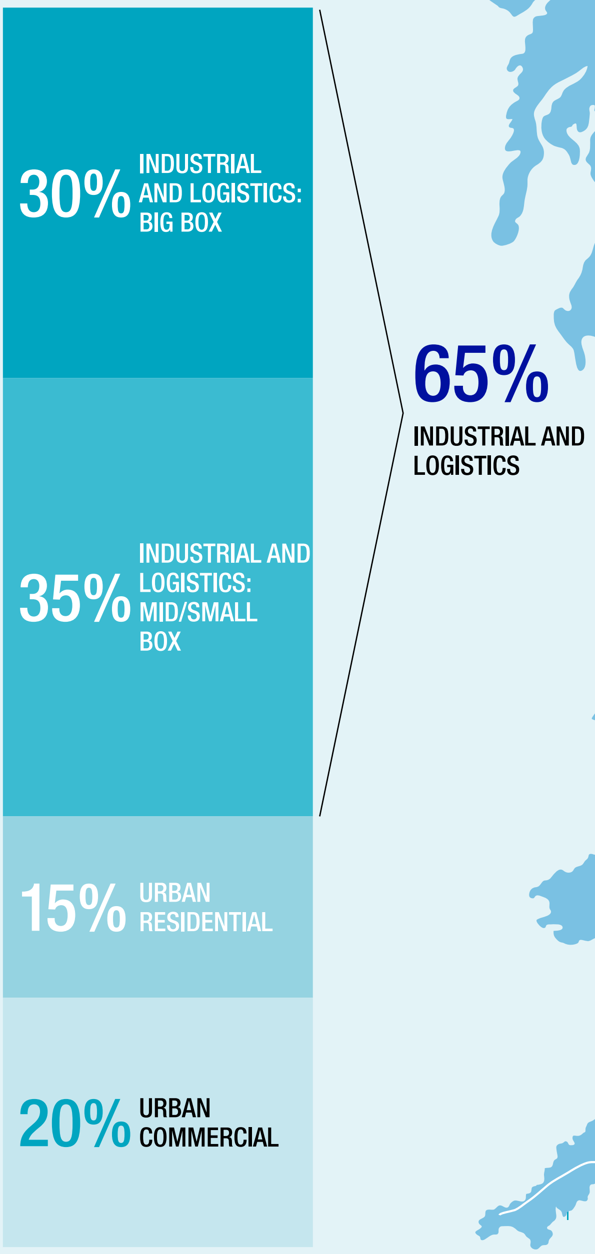
Residential Land Plots

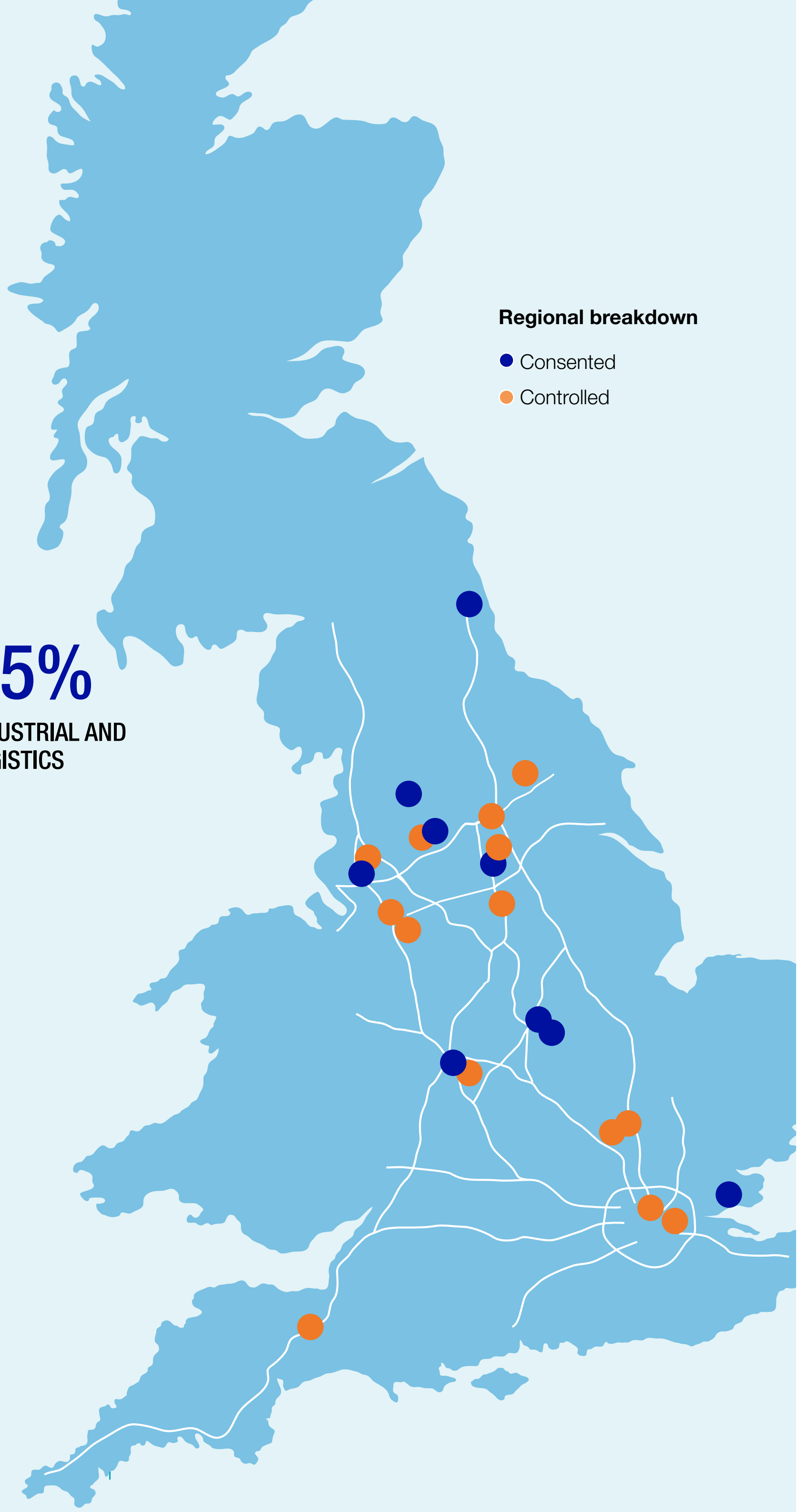


PROPERTY INVESTMENT & DEVELOPMENT

Future Development Pipeline

The Group has a total development pipeline of £1.5bn GDV (HBD Share £1.25bn), with all of these opportunities sitting within the Company's three key markets.





1 STRATEGIC REPORT

The Directors present the Group Strategic Report for the year ended 31 December 2022.

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

The Business Overview and Strategic Report on pages 02 to 77 has been approved by the Board and signed on its behalf by

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

12 April 2023

CHIEF EXECUTIVE OFFICER UPDATE

WE HAVE CONFIDENCE IN ACHIEVING OUR MEDIUM-TERM GROWTH AND RETURN TARGETS

Henry Boot had a good 2022, delivering our best ever underlying profit of £56.1m. Even after allowing for downward valuation movements of £10.5m in our completed investment property portfolio as UK commercial property values declined, our statutory profit before tax still increased by 30% to £45.6m (2021: £35.1m). This is a highly satisfactory result amidst the macro economic headwinds faced in the second half.

The year started off buoyantly with encouraging levels of demand across our three key markets, which offset cost pressures and supply constraints, but with energy prices fuelling inflation and rising interest rates, we saw a marked slowdown in Q4 22. However, as we enter 2023 there are encouraging signs that the economy is proving slightly more resilient than expected, and demand is recovering with a resumption of activity in our markets.

The Group's results for the year were driven primarily by residential land sales at Hallam Land Management (HLM), a mix of land sales and development profits at HBD and house sales at Stonebridge Homes (SBH). We profitably sold £279m of land, buildings and houses during the year making the most of strong markets in H1 22 and took a very selective approach to acquisitions totalling £28.4m, which included growing HLM and SBH's land holdings.

On a statutory basis NAV increased by 11% to £395m, or excluding the pension surplus was up by 5% to £388m. Capital employed increased by 6.2% over the year to £399m, consistent with our medium-term target of £500m. Profitable sales also helped us to effectively manage our gearing, which at 12.3%, remains at the bottom of our 10-20% target range. The strength of our balance sheet, plus recently refreshed banking facilities of £105m, which are secured to 2025, means we are well positioned for a period of continued uncertainty ahead. As was the case when we came out of COVID, we have the capacity to buy land, maintain and potentially expand the committed development programme, and continue to grow our JV housebuilder, which puts us in a competitive position to act opportunistically.

With the disposal of 3,869 plots, HLM had its best ever year in terms of volume, making the most of a buoyant land market in H1 22, primarily due to a major disposal of 2,170 plots at Didcot. This project is a great example of HLM's depth of expertise in dealing with increasingly complex planning matters, and not only will it deliver much needed housing supply, but it also includes 80 acres of open space alongside extensive green infrastructure and cycle networks.

HLM grew its land bank to c.96,000 plots (2021: c.93,000) during the period, of which 9,431 plots have planning permission. I am increasingly convinced that the UK planning system is in need of urgent reform. The delays and complexities can no longer be blamed on COVID. Whilst we would derive greatest satisfaction from a more efficient system on account of the benefits this would bring local communities, the challenges of the current situation mean that the land we successfully promote and the expertise we bring in navigating the planning system remain increasingly in demand.

Towards the end of 2022, our major land customers, the national housebuilders, saw a well reported slowdown in house sales and consequently became more selective on land acquisitions. Early signs are that confidence is returning and, together with 992 plots (2021: 1,880 plots) unconditionally exchanged at year-end, we anticipate a reasonable year ahead in terms of land sales.

HBD continues to grow completed development activities with a Gross Development Value (GDV) of £117m (HBD share: £83m) (2021: £303m GDV, HBD share: £68m) of which 92% has been let or sold. The committed programme now totals £395m (HBD share: £240m GDV), 63% of which is currently pre-let or pre-sold. Whilst there are signs that construction cost inflation is slowing, we continue to actively manage risk with 97% of the development costs fixed.

Although investment markets have adjusted rapidly, our underlying occupational markets remain in fundamentally good shape. Structural demand persists for Industrial & Logistics (I&L) space, with national take up in 2022 a very healthy 65.8m sq ft (according to Gerald Eve), which, whilst down on the record high in 2021, was still the second most active year on record with rents increasing by 10.3% during the year. The build to rent (BtR) occupational market remains very buoyant with residential rents growing by 12.1% according to Zoopla in 2022. On offices there is a clear trend of people returning to our major cities and the workplace, with particularly strong demand for buildings that offer strong environmental credentials that assist occupiers in achieving their own NZC goals.

The part of the committed programme not pre-let or pre-sold is primarily in three high-quality schemes where we remain confident of demand:

- In Rainham, we have recently committed along with our JV partner, Barings, (HBD share: £24m GDV) to a 380,000 sq ft speculative I&L scheme. Whilst marketing has not yet begun, this NZC urban logistics development serving Greater London is already experiencing strong occupier interest.
- In the centre of Birmingham, we are part way through construction of 101 premium apartments (HBD share: £32m GDV) which we expect to launch successfully for sale in the summer of this year.
- Finally, in Manchester city centre in partnership with the Greater Manchester Pension Fund, we are building 91,000 sq ft of prime, NZC offices (HBD share: £33m). With the scheme responding to several identified office requirements, we expect good occupier interest.

As we make progress on letting or pre-selling these schemes, we have a number of high-quality I&L and BtR projects within our £1.25bn development pipeline that we can bring forward at the appropriate time.

As we highlighted at the time of the interim results, we tactically identified several properties for sale and I am pleased to report we sold three properties for a total of £29.6m, a 17% premium to the last reported book value. As a result, against a backdrop of falling values, we have delivered relative out performance on our investment portfolio (current value including our share of JVs £106m) with a total return of -1.5 % versus the CBRE UK index of -9.1%. Over the next few years, through a combination of retaining completed developments and acquisitions, we will look to build the portfolio up to our strategic target of £150m.

We made further progress with our JV housebuilder Stonebridge Homes (SBH), with a 46% increase in the number of homes delivered to 175 completions (2021: 120). Whilst supply chain issues at the tail end of the year meant we did not reach our target of delivering 200 homes, we marginally beat our profit expectations. This was driven by our ability to achieve sales prices that were over 10% ahead of budget, which meant cost inflation running at 9% was absorbed. With a target of 250 completions in 2023, and 139 homes already forward sold, we remain firmly on track to continue scaling up and hit our ambitious medium-term strategic target of 600 completions per annum.

The Construction segment has done remarkably well to trade ahead of our expectations. Henry Boot Construction (HBC) has made progress on all its projects despite dealing with very challenging supply and labour restrictions, although there are some signs that these restrictions and cost inflation are easing. HBC begins the year with 68% of the 2023 order book secured and a healthy pipeline of opportunities. Banner Plant (BP) has seen record levels of trading activity and is successfully growing its customer base.

Against a challenging near-term backdrop, we expect 2023 profits to be more subdued than 2022, but we will remain active, pushing ahead with our strategic and growth ambitions from a position of strength, further details of which are covered in the strategy and outlook sections below.

Outlook

Whilst the immediate outlook is uncertain, a number of leading indicators suggest that the economic slowdown will not be as severe as forecasts in the final quarter of last year predicted. It looks increasingly like interest rates are close to the so called ‘pivot’, we are seeing early signs that supply restrictions are lifting and with that some prospect of cost pressures easing.

There are early signs that our markets are improving. Occupier demand for I&L has remained resilient, and whilst yields moved out quickly during the second half of 2022, there are investors already looking to buy, tempted by the strong fundamentals of the market. Likewise, whilst data is available only for the first two months, housebuilders generally and SBH specifically, have seen a partial recovery in home buyer interest this year from the lows experienced in the final quarter of 2022. The march of the BtR sector, both in terms of customer and investor demand, continues.

So, for Henry Boot, we remain focused on building out our high-quality development programme. As we increase forward sales and pre-lettings above the present 63%, we will selectively look to replenish, and potentially expand, committed development, primarily by drawing down schemes which are ready to go from our £1.25bn development pipeline. With an ever restrictive planning environment demand for our well located consented plots will come back as the UK remains critically short of housing. In the meantime, we are partially insulated by the 992 land promotion plots that are already unconditionally exchanged and we start the year with 56% of SBH’s 250 target completions for 2023 already forward sold.

We will continue to work towards a more progressive, diverse and responsible business by meeting targets outlined in our Responsible Business Strategy, and investing in key areas such as marketing, customer relations and business improvement processes, including technology. At the same time, we will continue to nurture the great culture within Henry Boot and engage with people who, despite the ups and downs of the last few years have remained energetic and fully committed. Moreover, we have confidence in the long-term fundamentals of our markets, business model and have the operational and financial resources to continue to meet our strategic growth and return objectives.

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

This report contains the following alternative performance measures (APM): Underlying profit. Return on Capital Employed. Net Asset Value (NAV) per share. Net (debt)/cash. Total Accounting Return.

More details can be found on page 49.

Key Highlights

95,704	**£1.25bn**	**£106m**	**1,094 units**
RESIDENTIAL LAND PLOTS (2021: 92,667)	HBD DEVELOPMENT PIPELINE GDV (2021: £1.1BN)	INVESTMENT PORTFOLIO VALUE (2021: £126M)	STONEBRIDGE HOMES TOTAL LAND BANK (2021: 1,157)

BUSINESS MODEL

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

1

Key resources and relationships

Our people

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

Read more on pages 63 to 67

Portfolio & land bank

HBD have a £1.25bn pipeline, comprising 65% Industrial & Logistics, 20% Urban Commercial and 15% Urban Development, whilst Hallam Land Management have increased the land bank to 95,704 plots in the portfolio.

Read more on pages 14 to 15

Group strategy framework

(Focus of 3 Core Markets)

The Group provides reliable earnings with a clear focus on our three key markets – Industrial & Logistics, Residential and Urban Development – driven by positive long-term structural trends.

Read more on pages 28 to 29

Supply chain

Our relationships with our supply chain is critical to our success and we work hard to engage and collaborate with all of our suppliers and partners to create and maintain long-term successful relationships.

Read more on page 67

Partnerships

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

Read more on page 36

2

Responsible business approach (ESG)

The 'Henry Boot Way'

In our approach to responsibility, we are committed to doing everything possible to collaborate with and support our people, partners, places and planet as we fulfil our corporate purpose. In 2017 we undertook our people-led One Henry Boot Project driven by the 'Henry Boot Way' of working, to define our Purpose, Vision and Values. The 'Henry Boot Way' continues to play a crucial role in our business and long-term ESG approach.

Effective governance

We established our Responsible Business Committee to provide Board level oversight and scrutiny of the Group's responsible business performance. Board and Executive Committee members were appointed sponsors of our responsible business initiatives and significant engagement was undertaken with our people-led working groups.

Read more on pages 116 to 119

2025 Responsible Business Strategy

Our Responsible Business Strategy sets out medium-term objectives which we aim to achieve by the end of 2025. The Strategy is built on four key pillars - Our People, Our Places, Our Planet and Our Partners. It will drive us to deliver our strategic objectives and targets and our activity and performance will align with our Purpose, Values, and selected UN Sustainable Development Goals (SDGs).

Read more on pages 32 to 36

Our long-term commitments to 2030

The 2025 Responsible Business Strategy will support us in reaching our NZC target by 2030. We will continue to collaborate with our people and partners with passion and ingenuity to create long-lasting and genuine value and impact for all the people we work with and the places we work in.

3

Group operating model

Identify opportunities and acquire land

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

Obtain planning permission

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

Hallam Land Management promotes land for residential and commercial consent.

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

Sale of land

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

Development of site

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

A. Sale of property

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

B. Investment portfolio

A number of the finished property developments are retained and managed by the **Property Investment and Development** segment. The property investment portfolio of **Henry Boot Developments** is worth £106m and generates a sizeable amount of rental income each year.

Construction

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

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

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

TRACK RECORD OF G
ATTRACTIVE RETURNS

Capital structure and financial strength is result of our operating model

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 development 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.

ENERATING
S

Watch the **Business Model Video** at **www.henryboot.co.uk**

4

Our expertise

Land Promotion

Businesses: Hallam Land Management

- Identifying land with future potential
- The use of agency and option agreements, as opposed to buying all land outright, means less expenditure on each asset, allowing us to maximise the number of land opportunities that we are 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.
- Taking land through the complexities of the planning system

Property Investment & Development

Businesses: Henry Boot Developments and Stonebridge Homes

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

Construction

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

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

Group

- 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

OPEN
for more information

BUSINESS MODEL

5

The impact we're making

UN SDGs

When creating our Responsible Business Strategy, we engaged our stakeholders to understand which of the UN SDGs they felt our business could most positively impact.

Based on the feedback received, the Responsible Business Committee selected the below SDGs as those best aligned with our corporate purpose.

Read more on pages 32 to 36

Society

All of the targets contained within the Responsible Business Strategy have been influenced and shaped through consultation with our people, our commercial and community partners, our senior management and Board, and our professional advisers to ensure that they are robust, ambitious (whilst also achievable) and will create the impact we aspire to achieve.

6

Value generation for stakeholders

Our People

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

Communities

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

Customers

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

Shareholders

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

OUR MARKETS

Key long-term structural trends affecting our business

URBANISATION

According to the UN, population will have grown to approximately 71.7m by 2050 with 90% of the population living in urban areas.

Given expected population increases over the long-term major cities will be a key driver of UK growth with a corresponding increase in demand for more housing and high-quality office space. People do not choose to live in cities merely to be close to work, but rather because of the lifestyle benefits provided by accessibility to amenities. A Centre for Cities survey shows that being "close to restaurants/leisure and cultural facilities" was by far the biggest factor in determining city centre residents' location decisions.

TECHNOLOGY

Advances in technology will continue to disrupt how we live, work, shop and communicate, leading to a greater requirement to deliver services that adapt to the emergence of new technology, but also the environment in which they do it in.

With continued demand for warehouse space from third-party logistics operators, online retailers and manufacturers, the importance of property technology has increased for data and analytics as well as to help automate and streamline tasks.

DEMOGRAPHICS

UK's population continues to grow, albeit at a slower rate than previously, with people living longer and low birth rates.

However, the most significant change in the working age population over the next 20 years is for 20 to 30-year olds and 40 to 50-year olds who are expected to increase by 4.1% and 4.3% respectively. Demographics therefore provide positive support for senior living and BtR aimed at young professionals.

ENVIRONMENT

The built environment contributes an estimated 25% of the UK's carbon emissions, which increases the pressure on businesses in our industry to adapt their operations to become more sustainable.

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

INDUSTRIAL AND LOGISTICS

Market overview

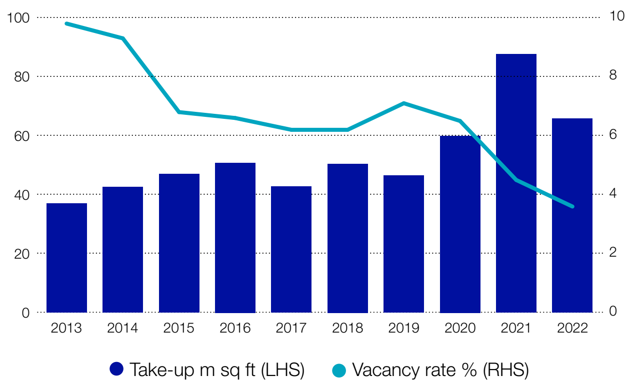
According to Gerald Eve UK industrial and logistics space take-up totalled 65.8 million sq ft in 2022, which whilst down from the previous record high of 2021, was still the second most active year on record. The CBRE Monthly Index showed strong industrial rental value growth of 10.3% last year, ahead of the 9.0% increase in 2021. Occupier demand continues to be from a variety of sectors with ongoing supply chain disruption likely to accelerate the trend of near–shoring and reshoring as many companies seek to diversify points of production and to localise their supply chain.

Whilst e-commerce remains a structural driver of demand for logistics space it is certainly not immune from a wider economic slowdown. The decline in online retail sales during 2022, as many consumers switched back to pre-pandemic shopping patterns, has also corresponded with a reduction in take-up from internet retailers.

What does Henry Boot have to offer:

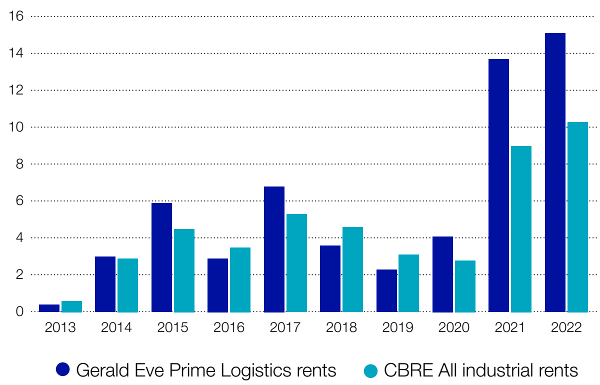
- HBD has committed to Momentum, Rainham (HBD share: £24m GDV) a 380,000 sq ft speculative I&L development located close to Central London. The scheme will target BREEAM Excellent, an EPC A+ rating and all the units will be 100% electric.
- We also secured a pre-let with DPD and DHL at Preston East (HBD share: £15m GDV) in H2 22, the 122,000 sq ft I&L development was subsequently pre-sold to Titan Investments, at 10% above book value, with completion expected in Q4 23.
- In total, the Group is committed to develop over 1 million sq ft of industrial and logistic space, with a GDV value of £261m GDV (HBD Share £150m).
- Industrial and logistics represents 65% of Henry Boot's £1.25bn development pipeline with the potential to deliver approximately 7 million sq ft of space.

Warehouse take up and availability



Source: Gerald Eve

Industrial rent



Source: Gerald Eve & CBRE

OUR MARKETS

RESIDENTIAL

Market overview

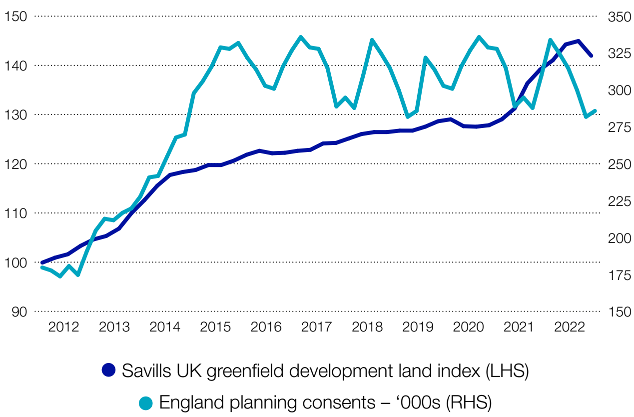
The residential market slowed during the second half of 2022 as homebuyer demand was impacted by higher mortgage rates following the sharp increases in interest rates. Whilst new home completions increased in 2022 they remain 3% below the COVID level and at 205,000 dwellings continue to be way behind Government targets of 300,000 new homes a year, which is primarily due to delays within the planning system.

According to Savills Research, following growth during the first nine months of 2022 UK greenfield values fell by 2.2% in the final quarter as land transactions slowed significantly due to many housebuilders pausing buying in response to slowing sales rates. However, despite the majority of national housebuilders slowing their land buying, there remains selective interest in prime sites with planning, with signs that some confidence is returning following the significant disruption caused by the 'mini-budget' in September 2022.

What does Henry Boot have to offer:

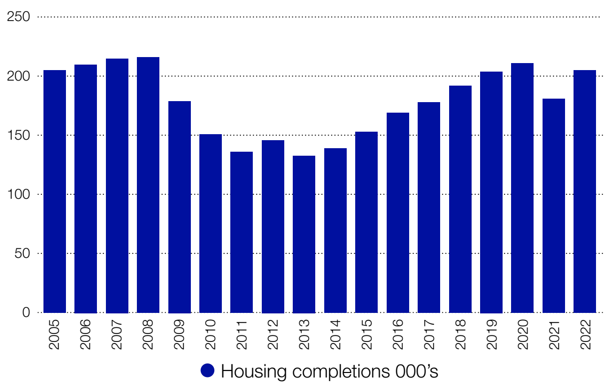
- Hallam Land Management has six offices located across the country and is well established and experienced in the complexities of the UK planning system.
- The Group has a strategic land bank that has the potential to deliver c.96,000 residential plots, of which 9,431 plots have planning permission.
- Stonebridge Homes, the Group's jointly owned housebuilder, offers further residential capabilities, with a total land bank of 1,094 plots of which 872 plots have either detailed, or outline planning consent.

Land values and planning consents



Source: Savills

UK housing completions



Source: Office for National Statistics

URBAN DEVELOPMENT

Market overview

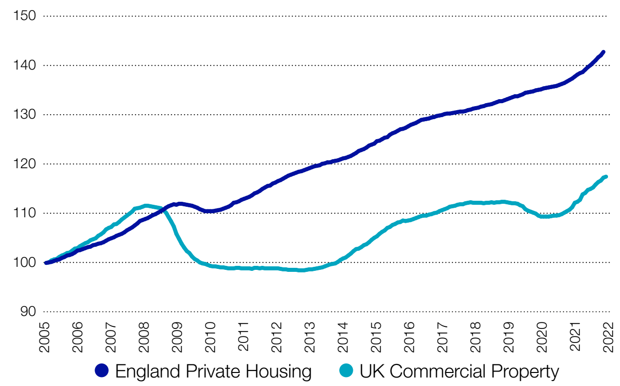
The Urban Development market continues to improve since being impacted by COVID, with strong signs that major UK regional cities are bouncing back, with an increase in mobility. There is a continued belief that by 2050, 90% of the population will live in urban areas, with people choosing to live in prime urban areas, not only for work reasons but for better lifestyle options in general.

There has been a strong recovery in total construction activity in 2022 with annual output increasing by 5.6%. The BtR occupational market remains very buoyant with residential rents growing by 12.1% according to Zoopla in 2022. Office development in major cities has also shown improvement, with a clear trend of people returning to the workplace, with occupiers showing particularly strong demand for buildings that offer strong environmental credentials to achieving their own NZC goals.

What does Henry Boot have to offer:

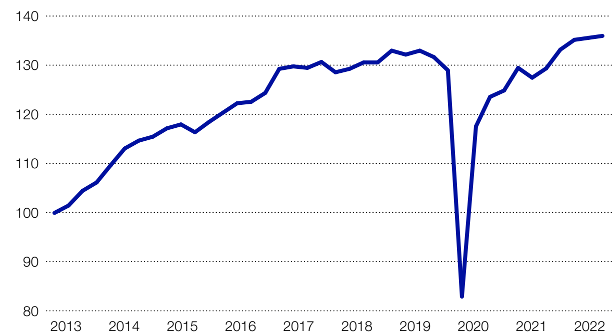
- The Group has a strong presence in key cites identified as target areas for BtR schemes.
- At Neighbourhood, Birmingham, a £117m 414-unit BtR development, secured planning in March 2023. The scheme is situated on a 2.6-acre site located within the Jewellery Quarter area of Birmingham, in a prime location in close proximity to the city centre.
- HBD and Greater Manchester Pension Fund are working in a joint venture to deliver a 91,000 sq ft of NZC offices in Manchester City Centre. The building is targeting the highest sustainability certifications, including an EPC ‘A’ rating, BREEAM Excellent and a 5.5 star carbon NABERS rating.
- Henry Boot Construction is currently working on three urban development schemes in both the city centre of Sheffield and York, at a combined total contract value of £129m.

Rental growth



Source: Office for National Statistics and CBRE

Construction output



Source: Office for National Statistics

OUR STRATEGY

Group Strategy Performance

The Group set a medium-term strategy in 2021 to grow the size of the business by increasing capital employed by 40% focusing on its three key markets: I&L, Residential and Urban Development.

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

KEY STRATEGIC PILLARS

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

GROWTH
Grow PBT by increasing capital employed to £500m by investing in our three key markets

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

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

LONG-TERM MARKETS
- INDUSTRIAL AND LOGISTICS
- RESIDENTIAL
- URBAN DEVELOPMENT

VALUE DELIVERY
- LAND PROMOTION
- PROPERTY INVESTMENT AND DEVELOPMENT
- HOUSEBUILDING
- CONSTRUCTION

RETURNS
GROW CAPITAL EMPLOYED TO OVER £500M + TARGET ROCE 10–15% + MAINTAIN A PROGRESSIVE DIVIDEND POLICY

RESPONSIBLE APPROACH
PEOPLE STRATEGY + ESG

RISK
OPTIMUM GEARING OF 10–20% + MINIMUM 65% COMMITTED DEVELOPMENT PROGRAMME PRE-LET/PRE-SOLD

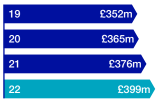
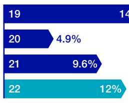
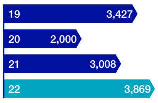
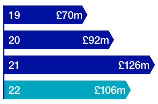
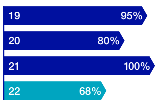
Group overall strategy

Strategic Priorities	Aims	Performance
Safety and Environment	We aim to be the safest place to work in our markets and be respectful to our environment	• The Group's Accident Incident Rate decreased to 202 per 100,000 employees, which is a result of reaffirming our robust management systems and commitment to on-site training. • Launched our Responsible Business Strategy in 2022, which included our NZC framework and target to be NZC by 2030.
Growth	Grow PBT by increasing capital employed to £500m by investing in our three key markets	• Capital employed increased by 6% to £399m. • The Group's land bank grew to 95,704 plots, with 6,906 plots added in the year. • Increased committed programme to £240m.
Delivery	Adopt emerging working practices, investing and collaborating to deliver our operational targets	• Sold 3,869 plots at an average gross profit of £6.1k per plot. • Completed £83m of property developments. • Completed 175 homes, at an average selling price for private homes of £503k. • 2023 construction order book 68% secured.
People	Open, progressive, high performing business governed by clear objectives which engage diverse range of talent	• Significantly increased our eNPS score to 39, ranked at the top of the very good range. • Learning intervention days increased to 3.7 days per employee. • Female representation across our workforce increased to 25%.

OUR STRATEGY – PERFORMANCE AT A GLANCE

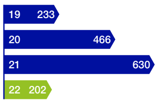
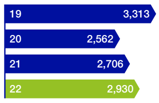
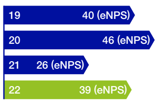
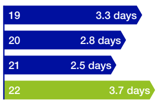
CLEAR FOCUS

Growth and Delivery Strategic Pillars

Objective and Medium-term Target	KPI	Medium-term performance Commentary	Aim for 2023	Link to Strategic Pillars and Group Risk
To grow capital employed to £500m **Medium-term Target** £500m	**Capital Employed** 	On track to grow capital employed to over £500m	To maintain capital employed growth to over £400m	Strategic Pillar Risks 3 5
To generate a ROCE of 10–15% **Medium-term Target** 10–15%	**ROCE** 	We maintain our aim to be within the target range	To be within stated target range	Strategic Pillar Risks 4 8 9 10 11 12
Grow Hallam Land's plot sales **Medium-term Target** c.3,500 pa	**Plot Sales** 	Exceeded the strategic target of 3,500 per annum, forward sales of 992 plots	To exceed current five year average	Strategic Pillars Risks 3 4 5 11 12 13
Grow HBD development completions **Medium-term Target** c.£200m	**Development Completions** 	Increased our future pipeline to £1.25bn, we are on course to complete on average £200m per annum	To grow HBD share of completed developments, with committed programme of £240m for 2023	Strategic Pillars Risks 3 4 5 11 12 13
Grow investment portfolio value **Medium-term Target** £150m	**Investment Portfolio** 	Value reduced primarily due to nearly £30m of accretive sales with scope to rebuild portfolio from retained developments	To maintain progress towards stated target	Strategic Pillars Risks 3 4 5 11 12 13
Grow Stonebridge Homes house sales **Medium-term Target** c.600 units	**Unit Completions** 	Completions below our target of 200 but strong sales prices mean the business performed marginally ahead of budget	To increase unit completions to 250	Strategic Pillars Risks 3 4 5 11 12 13
Henry Boot Construction's order book secured **Medium-term Target** >65%	**Order Book Secured** 	Secured above target range for 2023 order book, with public sector work remaining a key focus	To secure 65%of 2024 order book by end of year	Strategic Pillar Risks 3 4 8 13

RIGHT APPROACH

People and Safety Strategic Pillars

Objective and Medium-term Target	KPI	Medium-term performance Commentary	Aim for 2023	Link to Strategic Pillars and Group Risk
Work towards a more coordinated H&S approach to ensure our Group is a safe place to work **Medium-term Target** >395	**Accident Incident Rate** 	The Group's AIR reduced in 2022 due to robust management systems, and an increased focus on training	To maintain our robust health & safety approach and procedures	Strategic Pillar Risks 4 8 9 10 11 12
Reduce directly controlled GHG emissions **Medium-term Target** 20% reduction	**GHG Emission CO2e** 	Scopes 1 and 2 GHG emissions reduced by 12% against our 2019 baseline	To empower our people and partners to share knowledge and solutions to reduce GHG emissions	Strategic Pillar Risks 4 8 9 10 11 12
Seek high levels of employee satisfaction and engagement **Medium-term Target** 40 (eNPS)	**Employee Net Promoter Score (eNPS)** 	After addressing feedback from the 2021 survey via the Group Employee Forum, we saw a significant increase in our eNPS score	To continue engaging with the Group Employee Forum and address feedback which has arisen from the survey	Strategic Pillar Risks 4 8 9 10 11 12
Create a high performance culture led by a range of training opportunities **Medium-term Target** 4 days (per employee)	**L&D Interventions Delivered (per employee)** 	As the Group evolved its training approach to offer both in-person and virtual sessions, we increased the number of training interventions	To implement a wide range of training opportunities to support a high performance culture	Strategic Pillar Risks 4 8 9 10 11 12

Group strategic priorities

- Safety and the Environment
- People
- Growth
- Delivery

Risks

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

RESPONSIBLE BUSINESS STRATEGY

Our Responsible Business Strategy sets out medium-term objectives which we aim to achieve by the end of 2025. It aims to incorporate and align our approach to ESG with our commercial strategy, and to ensure our activity and performance is influenced by our Purpose and Values.

Strategy Structure – how it all fits together

Our Purpose

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

Pillar 1 – Our People

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

Pillar 2 – Our Places

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

Pillar 3 – Our Planet

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

Pillar 4 – Our Partners

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

Our Ambitions

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

Our Values

will underpin and align everything we do.

Our Strategy is aligned to the UN SDGs that we and our stakeholders feel our business can most positively impact

Responsible Business Strategy – 2022 Progress Report

The tables on the following pages detail the progress we have made against the four strategic pillars of the Strategy in 2022.
For more information and case studies please review our Responsible Business Strategy – 2022 Progress Report

Our People

Our people are our greatest asset and are instrumental in the delivery of our Responsible Business Strategy. As we collaborate with them to create value for our communities and environments, we will invest in them and further develop a workplace culture that encourages openness, collaboration and fairness. We will proactively support their health and wellbeing and be innovative to ensure that our workplace is diverse, accessible, and allows all our people to thrive.

Objectives	2025 Target	2022 Performance	Aligned UN SDGs	Material Issues
OUR PEOPLE				
Promoting positive health and wellbeing for our people	Develop and deliver a Group-wide Health and Wellbeing Strategy with a range of activities and resources available to all.	Our new Health and Wellbeing Strategy has been developed throughout 2022 in collaboration with our senior management, Group Employee Forum, colleagues across the Group, and commercial and community partners. This Strategy launched in early 2023 with a delivery plan supporting implementation.	3 GOOD HEALTH AND WELL-BEING	• Employee health and wellbeing
Creating an equal, inclusive and diverse workplace	Encourage greater levels of gender diversity in our workforce and increase gender representation in management positions with 30% of workforce and line managers being female.	We have made strong progress and female representation of our overall workforce is 25% and of our management is 24% (S/R)	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH	• EDI • Education engagement • Employee health and wellbeing
	Reduce our gender pay gap to 20%.	Our 2022 gender pay gap (when measured as a median) was 21.43%. (S/R)		
	Begin reporting on our ethnicity pay gap and set a reduction target to encourage greater ethnic diversity in our workforce.	We have engaged commercial partners to review ethnic pay gap reporting and are undertaking the required work to begin reporting in 2024.		
	Deliver equality, diversity and inclusion (EDI) training to 100% of our people.	We have delivered EDI training to 79% of our workforce and continue to engage our people regularly on this issue.		
	Introduce best practice recruitment processes and reverse mentoring programmes, combined with an annual benchmarking and auditing process to ensure progress against targets.	Our EDI Steering Group and HR team are collaborating to introduce new recruitment processes and a reverse mentoring programme in 2023. We continually review our workforce data and are introducing measures to ensure it is robust and accurate to establish further targets and introduce new diversity initiatives.		
Engaging and empowering our people	Introduce ESG related targets for all senior management remuneration.	All members of our Executive Committee have ESG related targets incorporated into their performance review.	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH	• EDI • Employee health and wellbeing
	Ensure that all Group Pension Schemes incorporate ESG factors in investment decisions and that our people are well informed about their investment choices.	ISIO, our pension scheme manager, conduct thorough reviews of ESG capabilities and report performance against their ESG Manager Review Framework. ISIO's financial coaching sessions provided for our people include advice about pension investments and the Group regularly shares information about pensions with employees.		

(S/R) This data is inclusive of Stonebridge Homes and Road Link (A69)

RESPONSIBLE BUSINESS STRATEGY

Our Places

Investing in, and collaborating with, the communities in which we work is critical to ensure that we create long term meaningful social value. We are committed to supporting thriving local communities, to working in partnership with community organisations, and to harness the skills and passion of our people to improving people's lives. We keenly work with education partners to create excitement about our industry and inspire learners to consider a career with us. We believe that this approach will support our long term success and ensure that we remain a partner of choice for all those we work alongside.

Objectives	2025 Target	2022 Performance	Aligned UN SDGs	Material Issues
OUR PLACES				
Developing collaborative charity partnerships	Contribute £1,000,000 of financial (and equivalent) value to our charitable partners* (including donations of funds, resources, sponsorship and pro-bono support).	In 2022 we contributed a total of £291,692 to a range of our charitable and community partners including financial donations and sponsorship, employee fundraising, and expertise, time and resources provided pro bono.	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES	• Community engagement • Employee health and wellbeing
	Develop long-term strategic partnerships both nationally and regionally, and align all Group charitable giving with our Charitable Giving Pillars – for maximum impact.	In 2022 we developed the relationship with our Group Charity Partner Place2Be and contributed approximately £20,000 to support their vital work. We also continued to develop existing and new strategic charity partnerships and aligned charitable donations with our Charitable Giving Pillars.		
Collaborating with our communities	Contribute 7,500 volunteering hours across our Group to a range of community, charity and education projects.	In 2022, we contributed over 2,250 volunteering hours (equivalent to 281 working days) to a wide range of charitable, community, and education partners.	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES	• Community engagement • Employee health and wellbeing
Engaging learners	Engage 5,000 learners through careers initiatives, curriculum-focused activity, work experience, and mentoring.	In 2022, we engaged over 2,500 learners through a wide range of careers education activity and initiatives including work experience, site visits, career sessions and mentoring.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES	• Education engagement • Employee health and wellbeing
	Offer 200 entry level employment opportunities or work experience placements with a focus on those who traditionally struggle to access opportunities.	In 2022, we offered 30 work experience placements and 21 entry level employment positions. We engaged a range of education partners to share information about entry routes (including apprenticeships) with learners who traditionally struggle to access careers education.		
	Develop and deliver an Education Engagement Strategy to consolidate and enhance our support and collaboration with education partners, to create significant impact for learners, and to incorporate social and environmental responsibility into our education programmes.	In 2022 we undertook extensive engagement with education and community partners to develop an understanding of their needs and aspirations across the areas in which we work. Additional engagement was undertaken with our people to review the education support currently provided. The feedback and learnings from this engagement will be incorporated into our Education Engagement Strategy which will be launched in 2023.		

*Charitable partners includes registered charities, CICs, community organisations, and education partners.

(S/R) This data is inclusive of Stonebridge Homes and Road Link (A69)

Our Planet

We recognise the increasing risk that climate change poses and are steadfast in our commitment to protect our planet for future generations. We have a clear target of achieving NZC for our direct GHG emissions by 2030. We are taking a holistic approach to tackling climate change through clear ambitions to protect natural environments, reduce resource use and waste creation, and encouraging behaviour change. Our targets below (unless stated otherwise) use a baseline year of 2019 for reporting progress.

Objectives	2025 Target	2022 Performance	Aligned UN SDGs	Material Issues
OUR PLANET				
Reducing GHG emissions	Absolute target to reduce Scope 1 and 2 GHG emissions by over 20% to support reaching NZC by 2030.	Our Scope 1 and 2 GHG emissions in 2022 were 2,930 tonnes (a 12% reduction against our 2019 baseline which was 3,313 tonnes). Whilst this reduction is positive, our direct GHG emissions rose moderately in 2022 due to increased productivity. We remain committed to utilising innovative solutions and measures to ensure our GHG emissions fall and we achieve our medium term targets. (S/R)	11 Sustainable Cities and Communities 13 Climate Action	• NZC
	Replace 50% of van fleet with electric vehicles (EVs) or other sustainable alternatives (100% by 2030)	In 2022, a fleet project team was established to deliver an infrastructure programme to service our future electric fleet. Two electric vans were ordered and will be piloted to identify any challenges ahead of additional vehicles being sourced to achieve our target.		
	Ensure that all our HGVs are EURO 6 compliant (30% to be replaced with EVs or other sustainable alternatives by 2030).	Our HGV fleet is close to full EURO 6 compliance and monitoring of the developments in sustainable HGVs is regularly undertaken.		
	Supply 50% of electricity demand for construction sites from renewable generators.	Henry Boot Construction trialled a range of sustainable generator solutions across key sites throughout 2022 in order to identify opportunities to reduce reliance on traditional generators.		
	Complete energy, resource and sustainability audits in all of our directly controlled offices, sites and depots – and implement all medium-term recommendations.	Energy Impact Limited, a specialist third party, were engaged and have completed audits of our directly controlled offices and depots. Short term recommendations are currently being implemented. Employee-led sustainability audits were also undertaken to identify further GHG emissions and waste reduction opportunities.		
	Reduce non-sustainable business mileage by 20%.	Business mileage in 2022 reduced by 34% from our 2019 baseline.		
	Use biodiesel as we electrify our fleet.	Due to the volatility of the market for HVO fuel and the complexity around it's credibility, we are not currently utilising biodiesel as a GHG emissions reduction measure.		
Consuming resources responsibly	Cut avoidable waste to 99% for our construction sites (100% by 2030).	In 2022, 99% of avoidable waste reduction was achieved on Henry Boot Construction's sites.	11 Sustainable Cities and Communities 13 Climate Action	• Responsible consumption
	Reduce consumption of avoidable plastic by 50% and undertake Group-wide waste and water monitoring to establish reduction targets.	A programme to monitor and reduce avoidable plastic use across the Group remains in development.		
	Introduce a Group-wide Sustainable Supply Chain Standard to support supply chain collaboration and innovation.	Procurement specialists from across the Group are represented on the Group Climate Forum and will be supporting the development of our forthcoming Sustainable Supply Chain Standard.		
To be a steward of nature	Collaborate with commercial partners to achieve biodiversity net gain (BNG) on our projects and, enhance and preserve natural environments where we work.	We continue to collaborate closely with our customers, supply chain and commercial partners to deliver BNG effectively on our schemes and to share knowledge and solutions.	3 Good Health and Well-Being 11 Sustainable Cities and Communities 13 Climate Action	• Nature stewardship
	Deliver nature stewardship training to 100% of our people	Teams from the business have attended BNG seminars with specialist industry speakers. A broader range of training and education will be provided across the Group in 2023.		

RESPONSIBLE BUSINESS STRATEGY

Our Partners

We have a clear responsibility to our commercial partners and stakeholders. Our success is not possible without the customers we support and an engaged network of suppliers, advisors, and membership organisations.

It is essential that we collaborate with them to remain a partner of choice in our key markets and foster thriving and inclusive local economies where we work.

We also recognise that we are just one business and that, through collaborative working, we will be able to deliver much greater impact and value for our communities and the environments in which we work.

Objectives	2025 Target	2022 Performance	Aligned UN SDGs	Material Issues
OUR PARTNERS				
Being a partner of choice for our key markets	Pay all of our suppliers the real living wage and secure accreditation with the Living Wage Foundation.	The Living Wage Foundation have been engaged and a review is currently being undertaken of the requirements to secure membership.	3 Good Health and Well-Being; 11 Sustainable Cities and Communities; 13 Climate Action	• Community engagement • NZC • Responsible consumption • EDI • Nature stewardship
	Maintain best practice to ensure our sites and supply chain are modern slavery free.	Best practice is maintained by the Group's Modern Slavery Policy (which is routinely reviewed) and engagement has been undertaken with charities focused on this issue including Causeway.		
	Provide resources and support to enable our supply chain to support the objectives of this Strategy.	A range of support has been offered to our supply chain including toolbox talks, bespoke mental health awareness sessions with the Lighthouse Charity, and guidance on regulations and best practice.		
Delivering high impact collaborations	Engage and collaborate with our partners to generate the highest possible social value for our community and charity partners.	We have routinely engaged our commercial partners and supply chain to collaborate on delivering significant social value and employment and skills opportunities in alignment with commercial schemes and community partnerships.	3 Good Health and Well-Being; 8 Decent Work and Economic Growth; 11 Sustainable Cities and Communities; 13 Climate Action	• Community engagement • NZC • Responsible consumption • EDI • Nature stewardship
	Engage key partners to create a more diverse and inclusive built environment sector and form business led partnerships to improve EDI.	We continue to engage with membership organisations (including the Confederation of British Industry (CBI) and Business in the Community (BITC)) on EDI and engage other businesses to share knowledge and best practice.		
	Collaborate with all our partners to reduce our environmental impact. This will include collaborating with business coalitions and membership organisations, and providing access to environmental training and resources for our suppliers.	We continue to engage with membership organisations (including Yorkshire Climate Action Coalition) to share knowledge and best practice. We became members of the UK Green Building Council (UKGBC) and will work closely with their team to educate and inform our people and partners on the latest sector environmental developments. We routinely collaborate with our supply chain and professional partners across all areas of commercial operations to identify opportunities to protect the environment and support the aspirations of our NZC Framework.		

Pictured: Kangaroo Works, Sheffield, providing 365 high-quality apartments in the Heart of the City.

LAND PROMOTION

NICK DUCKWORTH
HALLAM LAND MANAGEMENT LIMITED

HLM has traded strongly in 2022, achieving an operating profit of £17.3m (2021: £17.5m) from selling 3,869 plots (2021: 3,008 plots) at nine locations. Total plot sales were materially higher during 2022 due to a major disposal at Didcot of 2,170 plots to Taylor Wimpey and Persimmon Homes. However due to the size of the sale and discount for volume, the average gross profit per plot reduced to £6,066 (December 2021: £7,820).

UK greenfield land values increased by 2.0% in the 12 months to 31 December 2022 according to Savills Research. Following growth during the first nine months of the year, UK greenfield values fell by 2.2% in the final quarter. In the latter part of the year, transactions slowed significantly as many housebuilders paused land buying in response to slowing sales rates and the number of sites being actively marketed for sale reduced. However, although many of the major housebuilders have slowed their land buying, there remains selective interest in prime sites with planning consents, such as HLM can offer, amid some confidence returning to the industry following the significant disruption caused by the effects of the mini-budget in the second half of 2022.

HLM'S land bank grew to 95,704 plots (December 2021: 92,667 plots), of which 9,431 plots (December 2021: 12,865 plots) have planning permission (or Resolution to Grant subject to S106). The decrease in plots with planning permission reflects disposals during 2022 and continued delays in the planning system. In 2022, there were 1,473 plots submitted for planning, taking the total plots awaiting determination to 12,297 (December 2021: 11,259 plots).

Unfortunately, the planning system continues to experience delays due to a growing number of complexities such as the emerging Draft National Planning Guidance, which looks to be slowing down Local Authority Development Plan making and Planning Application determination. This resulted in HLM only gaining planning permission for 435 plots in 2022 (2021: 52 plots). Already in 2023, HLM has achieved planning permission on 320 plots and is expecting determination on its remaining plots to fall into 2023 and beyond.

HLM's land bank remains well positioned due to the high levels of stock with planning permission. Despite experiencing challenges with the planning system, the number of plots under control and in planning has increased, giving us confidence in the medium term that our stock levels holding planning will return to similar levels seen in previous years.

There is significant latent value in the Group's strategic land portfolio, which is held as inventory at the lower of cost or net realisable value. As such, no uplift in value is recognised within our accounts relating to any of the 9,431 plots with planning and any increase in value created from securing planning permission will only be recognised on disposal.

In relation to significant schemes:

- In H2 22, a S106 Agreement was signed at South West Milton Keynes allowing the outline planning consent to be drawn down for 618 plots, primary and secondary schools and open space. The site has subsequently been disposed of post period-end to Taylor Wimpey, with the sale completing in March 2023.
- At Pickford Gate, Coventry (formerly Eastern Green), following the grant of outline planning permission for 2,400 plots, 37 acres of employment land and a new primary school, local centre uses and open space in 2020, HLM unconditionally exchanged to sell 250 plots to the Vistry Group in March 2023, which will complete by the end of 2023.

Residential Land Plots

	With permission						
	b/f	granted	sold	c/f	In planning	Future	Total
2022	**12,865**	**435**	**(3,869)**	**9,431**	**12,297**	**73,976**	**95,704**
2021	15,421	452	(3,008)	12,865	11,259	68,543	92,667
2020	14,713	2,708	(2,000)	15,421	8,312	64,337	88,070
2019	16,489	1,651	(3,427)	14,713	10,665	51,766	77,144
2018	18,529	1,533	(3,573)	16,489	11,929	44,051	72,469

- In 2022, North West Bicester, a 3,100-plot scheme the subject of an outline planning application, progressed well with Oxfordshire County Council delivering a road bridge under the London/Banbury rail line, and the District Council signalling an increase in development plan housing numbers, such that our scheme aligns with emerging policy. The scheme, which also includes a primary school, funds for a secondary school, mixed use local centre, commercial land open space and biodiversity offsetting, has been designed to achieve emerging environmental requirements and energy use.
- At Swindon, the 2,000-plot site with outline consent that is being promoted through an option agreement jointly held with Taylor Wimpey, terms for acquisition were near settled with the landowners, but stalled due to the market disruption in Q4 2022 and HLM is now working to conclude the purchase during 2023.

Residential Land Plots – Regional Split

Region	Plots	Percentage
Scotland	9,630	10%
North	12,528	13%
North Midlands	17,716	18%
South Midlands	21,982	23%
South	6,766	7%
South East	5,395	6%
South West	21,687	23%
Totals	95,704	100%

CASE STUDY

Milton Keynes

Sale of 1,855 plots

In 2023, Hallam Land Management completed the sale of 1,855 plots (HLM share 618 plots) at Milton Keynes to housebuilder Taylor Wimpey, resulting in an ungeared internal rate of return of 14% p.a.

Providing value for local authorities

The site forms part of the South West Milton Keynes Consortium and approval was required from both Buckinghamshire Council and Milton Keynes Council. The cross-boundary scheme was granted approval in December 2022.

An extensive Section 106 package will provide funds towards facilities and services benefitting both authorities, including 6.5 acres of employment land, Milton Keynes hospital, Buckinghamshire education services, extensive offsite highway works and new public transport infrastructure together with substantial pedestrian links.

"The ongoing demand for new homes presents a significant opportunity for Hallam Land, and the sale of this site to a leading national housebuilder continues to demonstrate the benefit of working with us to navigate complex planning arrangements."

Nick Duckworth
Managing Director, Hallam Land Management Limited

Community Benefits

The 342 acre site is located to the South West of Milton Keynes, below the A421 between Bletchley and Newton Longville.

Positioned around seven miles outside of the centre of Milton Keynes, a series of public transport improvements are set to further enhance the site's connections to the surrounding area.

Alongside 1,855 homes, of which 35% will be affordable, the site will feature a primary school, secondary school and a neighbourhood centre including retail and community buildings.

Over 130 acres of green infrastructure will be delivered across the site, providing extensive play spaces, sports facilities and benefitting air quality and local ecology.

SEGMENTAL REVIEW

PROPERTY INVESTMENT AND DEVELOPMENT

Property Investment and Development, which includes HBD and SBH, delivered a combined operating profit of £25.7m (2021: £18.3m).

According to the CBRE Monthly Index, commercial property values declined by 13.3% in the 12 months to 31 December 2022. Industrial property was the worst performing sector with values down 21% during the year followed by offices down 12.1% and retail down 8.1%. Commercial property values were negatively impacted by rising interest rates during H2 22 with overall values declining by -19.0%. Having seen strong investor demand over the last few years driving substantial yield compression, I&L was the worst performing sector in 2022 as the sharp increases in interest rates resulted in significant yield expansion during H2 22. Whilst investment volumes were down 25% on 2021, it was still the second most active year on record. At the same time, I&L vacancy rates reached a new low of 3.6% in Q4 22 (for units above 50,000 sq ft). The rate of yield expansion has slowed in recent months suggesting that commercial property values are beginning to stabilise.

At the same time, the rental growth outlook for both I&L and regional BtR remains positive given the level of active demand and lack of available space. Regional office demand has continued to recover from the 2020 low with take-up increasingly focused on grade A space resulting in prime rental growth of 6.5% in 2022.

HBD has performed well, completing developments with a GDV of £117m (HBD share £83m GDV; 2021: HBD share £68m GDV), of which 92% have been let or sold. In the year, HBD completed on:

- Five industrial schemes totalling 497,000 sq ft with a combined GDV of £86m (HBD share: £60m GDV).
- Two residential land sales with a GDV of £23m (HBD share: £15m GDV), comprising a 184-unit scheme in Skipton, which was pre-sold to Bellway, as well as a sale of land to Aberdeen City Council for the construction of 500 houses.
- A 23-unit residential build-to-sell scheme in York, Clocktower, with a GDV of £8m.

2022 Completed Schemes

Scheme	GDV (£'m)	HBD Share of GDV (£m)	Commercial ('000 sq ft)	Residential Size (Units)	Status
Industrial					
Wakefield, Kitwave	12	6	65	–	Pre-let & pre-sold
Luton, Quad 2	16	16	82	–	Pre-sold
Pool, MKM	4	4	15	–	Pre-let
Southend	12	12	75	–	Speculative
Wakefield Hub, Phoenix	42	22	260	–	Pre-sold
	86	60	497	–	
Residential					
Skipton	7	7	–	184	Pre-sold
Aberdeen, Cloverhill	16	8	–	500	Pre-sold
York, Clocktower	8	8	–	23	Pre-sold
	31	23	–	707	
Total for the year	**117**	**83**	**497**	**707**	

The committed development programme now totals a GDV of £395m (HBD share: £240m GDV) of which 63% is currently pre-let or pre-sold, with 97% of the development costs fixed.

2023 Committed Programme

Scheme	GDV (£m)	HBD Share of GDV (£m)	Commercial ('000 sq ft)	Residential size (units)	Status	Completion
Industrial						
Rainham, Momentum	120	24	368	–	Speculative	Q4 24
Nottingham, New Horizon	54	54	426	–	Forward funded	Q2 23
Walsall, SPARK Remediation	37	37	–	–	Forward funded	Q2 24
Luton, Diploma	20	20	85	–	Pre-let	Q2 23
Preston, East DPD & DHL	30	15	122	–	Pre-let and forward funded	Q4 23
	261	150	1,001	–		
Urban Residential						
Birmingham, Setl	32	32	–	101	Speculative	Q1 24
York, TDT	22	22	54	–	Pre-sold	Q2 23
Aberdeen, Bridge of Don	12	1	–	TBC	Under-offer	Q4 23
Aberdeen, Cloverhill	2	2	–	420	Pre-sold and DM fee	Q4 23
	68	57	54	521		
Urban Commercial		–				
Manchester, Island	66	33	91	–	Speculative	Q3 24
Total for year	**395**	**240**	**1,146**	**521**		
% sold or pre-let (incl Island)	**45%**	**63%**				

Within the committed programme there is currently over 1m sq ft of I&L space (HBD Share: £150m GDV), a total of 521 urban residential units (HBD Share: £57m GDV) and 91,000 sq ft of commercial space (HBD Share: £33m GDV). In this regard:

- In H1 23, three projects (Diploma, Luton, New Horizon, Nottingham and TDT, York) are set to complete on site with a combined GDV of £96m.
- After securing pre-lets with DPD and DHL at Preston East (HBD share: £15m GDV) in H2 22, the 122,000 sq ft I&L development was subsequently pre-sold to Titan Investments, at 10% above book value, with completion expected in Q4 23.
- HBD has committed to Momentum, Rainham (in an 80:20 JV with Barings) (HBD share: £24m GDV) a 368,000 sq ft speculative I&L development located close to Central London and within five miles of J30 of the M25. Whilst formal marketing has not yet begun, the scheme is already attracting strong occupier interest.
- At Setl, Birmingham, HBD is currently on site delivering a scheme of 101 premium apartments within the highly sought-after St Paul's area of Birmingham's Jewellery Quarter. Residential amenities include a roof garden, co-working lounge and wellness studio. The scheme also incorporates 2,250 sq ft of ground floor commercial space and is currently on track for completion in Q4 23.

SEGMENTAL REVIEW

PROPERTY INVESTMENT AND DEVELOPMENT

HBD's total development pipeline has grown to a GDV of £1.5bn (HBD share: £1.25bn GDV). All of these opportunities sit within the Company's three key markets of I&L (65%), Urban Commercial (20%) and Urban Residential (15%). Significant schemes include:

- As reported in the interim results, HBD was appointed as development partner on the first phase (HBD share: £50m GDV) of Cheltenham Borough Council's £1bn Golden Valley development which comprises the delivery of a mixed-use campus clustered around 150,000 sq ft of innovation space that will serve as the new National Cyber Innovation Centre.
- In H2 22, a planning promotion and option agreement was secured at Brodsworth (HBD Share: £90m GDV) for 432 acres of employment land and 1,000 residential plots. The c.730-acre site is jointly being promoted and developed by both HLM and HBD.
- At Neighbourhood, Birmingham (HBD Share: £117m GDV), a planning application was submitted in Q3 22 for 414-unit BtR development and was subsequently granted in March 2023. The scheme is situated on a 2.6-acre site located within the Jewellery Quarter area of Birmingham, in a prime location in close proximity to the city centre. Neighbourhood will create an inclusive new community around public realm with landscaped gardens and will host a selection of the best local independent leisure operators. The internal amenities within the scheme include a double height winter garden, a gym, roof terraces and work zones. The scheme is targeting to secure pre-funding during 2023.

Within the development pipeline there are several developments that showcase the Group's ESG ambitions and credentials by targeting both an EPC A rating and BREEAM Excellent:

- HBD and Greater Manchester Pension Fund are working in a joint venture to deliver 91,000 sq ft of NZC offices within Manchester City Centre. Island will include 12,500 sq ft of amenity areas including social, meeting and event spaces and a communal roof terrace. The scheme is on track to be completed in Q3 24.
- At Momentum, Rainham, the I&L NZC scheme will target BREEAM Excellent, an EPC A+ rating and all the units will be 100% electric. The scheme is currently receiving encouraging occupier interest.
- HBD is designing 200,000 sq ft of NZC offices within Manchester's St John's district, which is establishing itself as the tech, arts and culture district of the city centre.

During 2022, a number of well-timed sales were made to reduce the size of the investment portfolio (including share of properties held in JVs), which as of 31 December 2022 was valued at £106m (2021: £126m). Whilst the CBRE UK Monthly Index showed commercial property values decreased by 13.3% over 2022, HBD completed three sales in H2 22, comprising Kitwave Wakefield, Acre Mill and Stop24 for a total of £29.6m, at an average 17% premium to the last reported book value. This was a major driver of relative outperformance with a portfolio capital return of -5.4%. The total property return of -1.5% for 2022, was significantly ahead of the CBRE UK Monthly Index (-9.1%). Rent collection for FY 22 stands at 98% with occupancy increasing slightly to 88% (2021: 85%) and the weighted average unexpired lease term is now 10.7 years (2021: 16.1 years).

The Group is also committed to ensuring that all the properties within the investment portfolio have a minimum EPC rating of 'C'. Currently 70% of these properties have a rating of 'C' or higher, of which 39% of the total portfolio are rated 'A-B'. The majority of the remaining 30% of the portfolio that are currently below a 'C' rating, have redevelopment potential with a target range of 'A' or 'B'.

The UK housing market slowed during 2022 as homebuyer demand was impacted by higher mortgage rates following the sharp increases in interest rates. According to Nationwide, house prices increased by 2.9% during 2022, with the increase of 5.7% during the first eight months of the year largely reversing in the final four months as prices declined by 2.6% from their peak. Whilst mortgage approvals remain subdued, the reduction in longer-term interest rates has started to feed through to mortgage rates, which together with unemployment remaining low and a continued shortage of supply, should help support transaction volumes during 2023.

SBH has continued to grow and during 2022 delivered 175 house completions (124 private/51 social) (2021: 120), at an average selling price for private homes of £503k (2021: £509k). Due to high levels of forward sales brought into the year, the average sales rate reduced to 0.51 houses per week per outlet (2021: 0.83). In common with many in the industry, supply chain challenges have impacted SBH with completed sales below our target of 200, but strong sales prices mean the business was marginally ahead of budget. As a result of sales prices being achieved 10.4% ahead of budget, 9% build cost inflation has been effectively managed.

SBH total owned and controlled land bank now comprises 1,094 plots (2021: 1,157) of which 872 plots have detailed or outline planning and has 3.5 years supply based on a one-year rolling forward sales forecast for land with planning or 4.4 years for its full land bank.

SBH has begun the year well, with mortgage rates beginning to stabilise, and an easing of cost of living pressures providing some support to housing market activity levels. The strategic objective of growing the business to achieve 600 completions per annum remains on track, entering 2023 with 56% of reservations already secured against its delivery target of 250 homes (188 private/62 social).

CASE STUDY

Neighbourhood, Birmingham

Delivering over 400 apartments

Neighbourhood is located in the popular Jewellery Quarter area of Birmingham. It is a £117m GDV build-to-rent scheme, which will see the transformation of the former Sytner car garage, delivering 414 apartments alongside a range of amenities.

Creating a vibrant community

HBD acquired the 2.6-acre site in April 2021, working carefully on its plans for the new development to ensure that the contemporary scheme is designed in keeping with the historic Jewellery Quarter.

Neighbourhood has been designed by award-winning architecture practice, BPN Architects, along with re-form Landscape Architecture, a team focused on creating sustainable places.

In addition to 414 new apartments, the site will encompass a host of amenities for residents, including double height winter garden, roof terraces and social spaces featuring a selection of the best local independent leisure operators, plus a gym, lounge, work-from-home areas and an on-site concierge.

New planting and rain gardens throughout will boost liveability; one of many features included within the design to ensure that the scheme is sustainable.

The future

A planning application was submitted in Q3 2022, and the scheme will be going to planning Committee in Spring 2023, with the aim to secure forward funding later in the year. Subject to planning permission being granted, HBD hopes to start on site in mid-2023.

Neighbourhood is HBD's second project within the Jewellery Quarter, with construction work on its Setl development well underway.

"Following planning being granted, we are really excited to continue to progress on Neighbourhood this year. We have received a very positive reaction to our plans for the scheme, and have considered and reacted to a number of suggestions raised during the consultation period."

Ed Hutchinson
Managing Director, HBD

SEGMENTAL REVIEW

CONSTRUCTION

Trading in the Group's construction segment has been ahead of expectations in 2022, achieving an operating profit of £12.1m (2021: £9.0m).

UK construction activity continued to recover during 2022, with annual output increasing by 5.6% following the record increase of 12.8% in 2021. At a sector level private housing was the largest positive contributor, with record annual growth in private industrial new work. Monthly output in December 2022 was 3.8% above the February 2020 pre-COVID level.

HBC, the Group's construction business, performed in line with expectations, delivering a turnover of £101.5m (2021: £81.6m) (52% in public sector) and begins 2023 with 68% of its order book secured. 94% of the forecast costs relating to work already secured for 2023 has fixed price orders placed or contractual inflation clauses.

Despite experiencing delays and challenges with the supply chain and material deliveries, progress continues to be made on the £42m urban development scheme in the heart of Sheffield for Sheffield City Council and Queensberry Development Management to create the Cambridge Street Collective as a mixed-use facility as well as Elshaw House which will be a seven-storey NZC office building. Works will be completed in H1 2023. Works on our £40m BtR residential scheme Kangaroo Works in Sheffield are also progressing through to completion in H1 2023. Good progress has been made on the £47m residential development called the Cocoa Works in York for Latimer Developments. The seven storey 279 apartment scheme remains on schedule for completion early 2024.

HBC operates across ten public sector frameworks and has seven schemes on site through public sector frameworks with a total order value of £55m. In 2022 there were six successful renewals, which include:

- A new four-year P23 NHS Framework for projects up to £20m across Yorkshire, Humber and the East Midlands.
- A place on the new four-year DfE Framework for projects between £6m to £12m in the North East, Yorkshire and the East Midlands.
- YORbuild3 Medium Value Framework for projects between £4m and £10m.

Looking ahead, HBC is looking to maintain its public sector framework presence and is currently bidding on the Pagabo refit and refurbishment framework for works up to £30m in Yorkshire, Humberside and the East Midlands.

BP has seen record levels of trading activity with turnover in 2022 up 5%. Strong customer demand has also driven an improvement in the asset utilisation rate to 75% (2021: 70%) on its plant hire equipment. Road Link has performed well as a result of traffic volumes increasing and the added benefit of high inflation feeding into higher toll revenues.

FINANCIAL REVIEW

STRONG SALES SIGNIFICANTLY INCREASING PROFITABILITY

DARREN LITTLEWOOD
CHIEF FINANCIAL OFFICER

What we did in 2022

- 31% increase in operating profit despite downward revaluation movements on Investment Property.
- Increased capital employed to £399m (2021: £376m), investing in strategic land and development schemes.
- Made opportune disposals of investment properties and a joint venture to recycle cash into assets with increased development potential.
- Increased dividends by 10% as a continuation of our progressive dividend policy

Summary of financial performance

	2022 £'m	2021 £'m	Change %
Total revenue			
Property Investment and Development	**169.0**	69.4	+144
Land Promotion	**43.8**	58.6	-25
Construction	**128.6**	102.6	+25
	341.4	230.6	+48
Operating profit/(loss)			
Property Investment and Development	**25.7**	18.3	+40
Land Promotion	**17.3**	17.5	-1
Construction	**12.1**	9.0	+34
Group overheads	**(8.6)**	(9.3)	-8
	46.5	35.5	+31
Net finance cost	**(0.9)**	(0.4)	+125
Profit before tax	**45.6**	35.1	+30

The Group has benefited from strong activity within its property development and strategic land businesses, driving the Group's best ever financial results on an underlying profit basis[1] of £56.1m (excluding revaluation movements on completed investment property) (2021: £29.3m).

Property investment and development was particularly strong in H1 22, as a number of land sales completed and development contracts progressed, with the full-year results subdued only by the market-wide fall in UK commercial property values. Stonebridge Homes continued its growth trajectory increasing unit completions by 46% to round off a strong performance for the property investment and development segment.

UK housebuilding demand has also driven increased strategic land activity within our land promotion segment with an operating profit of £17.3m generated by the disposal of 3,869 residential plots during the year. The segment also contractually exchanged sales that will generate £13.0m of gross profit in 2023.

In anticipation of the UK economy slowing in H2 22, the Group reduced cash investment in new acquisitions and focused on the development of existing schemes from our pipeline of opportunities, with the aim of bringing assets to market at the most opportune time.

FINANCIAL REVIEW

Consolidated Statement of Comprehensive Income

Revenue increased 48% to £341.4m (2021: £230.6m) as we continue to deliver a number of schemes in the property investment and development segment and having completed on 175 (2021: 120) house sales in Stonebridge Homes. The land promotion business disposed of 2,170 plots to Taylor Wimpey and Persimmon Homes at Didcot and exceeded our target to dispose of 3,500 plots per annum. The construction segment grew its revenue by 25%, continuing to deliver urban development works in Sheffield and from a number of framework agreements that generate profitable work.

Gross profit of the Group increased 47% to £81.6m (2021: £55.5m), a gross profit margin of 24% (2021: 24%) and reflects healthy returns across all our operating segments. Administrative expenses increased by £4.0m (2021: £3.4m) as we continued to invest in our people and processes to support future growth.

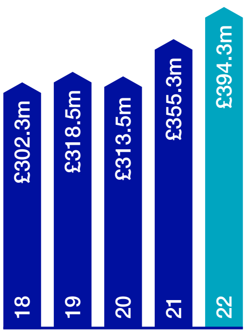
Pension expenses of £4.3m (2021: £6.0m) are £1.7m lower than the prior year due to the cost of closing the defined benefit pension scheme to future accrual in 2021. The defined benefit pension scheme entered a surplus on an IAS 19 basis in the year.

Property revaluation losses amounted to £8.2m (2021: £15.0m gain), incorporating £4.9m revaluation losses (2021: £8.0m gain) on wholly owned investment property and £3.2m revaluation losses (2021: £7.0m gain) on our share of investment property held in joint ventures.

Property revaluation (losses)/gains	2022 £'m	2021 £'m
Wholly owned investment property:		
Completed investment property	**(7.3)**	4.6
Investment property in the course of construction	**2.4**	3.4
	(4.9)	8.0
Joint ventures and associates:		
Completed investment property	**(3.2)**	1.2
Investment property in the course of construction	**–**	5.8
	(3.2)	7.0
	(8.2)	15.0

OPERATING PROFIT

NAV



Read the **Business Review** on pages 38 to 44

Profit on sale of investment properties of £0.6m (2021: £1.3m), relates to the opportune disposal of a motorway services asset to the existing operator in Kent. Loss on disposal of assets held for sale of £0.1m represents the selling costs on disposal of an industrial asset in Wakefield.

Share of profit of joint ventures and associates of £9.1m (2021: £8.9m) includes a significant land disposal in Aberdeen for local authority housing and development of an industrial unit in Wakefield offset by property revaluation losses of £3.2m, all by the property investment and development segment.

Profit on disposal of joint ventures and subsidiaries of £0.7m (2021: nil) relates to the disposal of a long standing 50% interest in a joint venture entity in Huddersfield by the property investment and development segment.

Overall, operating profits increased by 30.6% to £46.5m (2021: £35.6m) and, after adjusting for net finance costs, we delivered a PBT of £45.6m (2021: £35.1m).

The segmental result analysis shows that:

- Property investment and development produced an increased operating profit of £25.7m (2021: £18.3m) arising from additional profits on development contracts, land sales and an increase in Stonebridge housing unit disposals to 175 (2021: 120), offset by a valuation loss on wholly owned investment property of £4.9m (2021: 8.0m gain).
- Land promotion operating profit remained consistent at £17.3m (2021: £17.5m) as we disposed of 3,869 residential plots during the year (2021: 3,008).
- Construction segment operating profits increased to £12.1m (2021: £9.0m) as construction and plant hire activity levels remain positive and due to inflation-related fee increases on our PFI contract.

We continue to demonstrate the benefits of a broad-based operating model and how this allows us to manage the impact of cyclical markets during challenging times and capitalise on market recoveries that follow. We maintain a significant pipeline of property development and consented residential plots; the variable timing of the completion of deals in these areas does give rise to financial results which can vary depending upon when contracts are ultimately concluded. We mitigate this through the mix of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £7.7m (effective rate of tax: 16.9%) (2021: £4.5m; effective tax rate: 12.8%) and is lower (2021: lower) than the standard rate of tax due to adjustments for joint ventures and associates reported net of tax (2021: due to adjustments in respect of earlier years arising from additional loss relief on asset disposals). Current taxation on profit for the year was £8.5m (2021: £1.1m), deferred tax was a credit of £0.8m (2021: £3.4m debit).

Earnings per share and dividends

Basic earnings per share increased 18% to 25.0p (2021: 21.2p) in line with the increase in profits attributable to owners of the Parent Company. Total dividend for the year increased 10% to 6.66p (2021: 6.05p), with the proposed final dividend increasing to 4.00p (2021: 3.63p), payable on 2 June 2023 to shareholders on the register as at 5 May 2023. The ex-dividend date is 4 May 2023.

Return on capital employed[2] ('ROCE')

Higher operating profit in the year saw an increased ROCE to 12.0% in 2022 (2021: 9.6%) and is now within the Group's target return of 10%–15% which we believe is appropriate for our current operating model and the markets we operate in.

Finance and gearing

Net finance costs increased to £0.9m (2021: £0.4m) reflecting the increase in UK interest rates during the year.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties, disposal and joint venture profits) to net interest (excluding interest received on other loans and receivables), was 22 times (2021: 31 times). No interest incurred in either year has been capitalised into the cost of assets.

The Group's banking facilities were agreed on 23 January 2020 at £75.0m. The facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions. On 20 January 2022, the banks agreed to the Group's second extension taking the facility to 23 January 2025 and on 9 October 2022 to a call on the accordion increasing the total committed facility to £105.0m. The Group had drawn £65.0m of the facility at 31 December 2022 (2021: £50.0m).

On 20 December 2021, the Group signed a £25.0m receivables purchase agreement with HSBC Invoice Finance UK Limited (HSBC) that allows it to sell deferred income receivables to the bank. The risk and rewards of ownership are deemed to fully transfer to HSBC and, therefore, this agreement is recorded off balance sheet. The Group had sold £7.6m of receivables under the agreement at 31 December 2022 (2021: £nil).

2022 year-end net debt[4] was £48.6m (2021: £40.5m)[6] resulting in the Group having gearing of 12.3% (2021: 11.4%), at the lower end of our targeted range of 10%-20%.

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.

FINANCIAL REVIEW

Cash flow summary

	2022 £'m	2021 £'m
Operating profit	**46.5**	35.6
Depreciation and other non-cash items	**(3.4)**	(13.9)
Net movement on equipment held for hire	**(4.1)**	(4.8)
Movement in working capital	**(55.6)**	(55.5)
Cash generated from operations	**(16.6)**	(38.6)
Net capital disposals/(investments)	**16.6**	(20.9)
Net interest and tax	**(3.6)**	(5.0)
Dividends paid	**(12.4)**	(8.4)
Dividends received from joint ventures	**7.1**	2.2
Other	**0.8**	0.2
Change in net debt	**(8.1)**	(70.5)
Net (debt)/cash brought forward	**(40.5)**	30.0
Net debt carried forward	**(48.6)**	(40.5)

During 2022, the cash outflow from operations amounted to £16.6m (2021: £38.6m) after net investment in equipment held for hire of £4.1m (2021: £4.8m), and cash outflows from a net increase in working capital of £55.6m (2021: £55.5m).

Our increase in working capital arises from additional investment in property developments in progress, our housebuilding and strategic land portfolios and an increase in contract assets.

Net capital disposals of £16.6m (2021: £20.9m investment) arose from disposals of investment property of £19.1m (2021: 6.7m) and joint ventures of £6.9m (2021: £4.3m) and net movement in JV investments of £0.6m (2021: £(13.7)m), which were offset by additions to investment property of £9.3m (2021: £17.3m) and net additions to property, plant and equipment of £0.7m (2021: £0.9m).

Net dividends, totalled £5.3m (2021: £6.2m), with those paid to equity shareholders of £8.4m (2021: £7.6m) increasing by 10% and, dividends to non-controlling interests of £4.0m (2021: £0.8m), being offset by dividends received from joint ventures during the year of £7.1m (2021: £2.2m).

After net interest and tax of £3.6m (2021: £5.0m), there was an overall outflow in net cash of £8.1m (2021: £70.5m), resulting in net debt of £48.6m (2021: £40.5m).

Statement of financial position summary

	2022 £'m	2021[6] £'m
Investment properties	**97.1**	104.2
Intangible assets	**2.9**	3.7
Property, plant and equipment, including right-of-use assets	**29.8**	27.9
Investment in joint ventures and associates	**10.0**	12.2
	139.8	148.0
Inventories	**291.8**	235.3
Receivables	**122.9**	111.1
Payables	**(113.6)**	(85.1)
Other	**(4.2)**	(1.2)
Net operating assets	**436.7**	408.0
Net debt	**(48.6)**	(40.5)
Retirement benefit asset/(obligations)	**6.2**	(12.2)
Net assets	**394.3**	355.3
Add back: Non-current liabilities and pension asset	**4.8**	20.4
Capital employed	**399.1**	375.7

Wholly owned investment properties decreased in value to £97.1m (2021: £104.2m), following the disposals of an industrial unit in Wakefield and motorway service station in Kent, together they sold at a premium to book value of £18.6m. This was offset by the transfer of newly completed industrial units from inventory at Southend and Luton, which amount to £16.7m including subsequent expenditure. Property revaluation losses amounted to £8.2m (2021: £15.0m gain), incorporating £4.9m revaluation losses (2021: £8.0m gain) on wholly owned investment property and £3.2m revaluation losses (2021: £7.0m gain) on our shares of investment property held in joint ventures.

Intangible assets reflect goodwill of £1.2m (2021: £1.4m), being Road Link (A69) of £0.3m (2021: £0.5m) and Banner Plant depots £0.9m (2021: £0.9m) and the Group's investment in Road Link (A69) of £1.7m (2021: £2.3m). The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12 and the impairment arises because the underlying road asset reverts to National Highways at the end of the concession period in 2026.

Property, plant and equipment comprises Group occupied buildings valued at £7.0m (2021: £6.6m) and plant, equipment and vehicles with a net book value of £22.8m (2021: £21.3m), including £1.0m (2021: £1.6m) of right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have increased as new additions of £3.8m (2021: £6.8m) are offset by disposals and the depreciation charge for the year. Right-of-use assets have decreased in the year, due to depreciation, as the Group's lease liabilities unwind.

Investments in joint ventures and associates decreased £2.2m to £10.0m (2021: £12.2m) arising from the Group's share of profits of £9.1m (2021: £8.9m) (including fair value reductions of £3.2m), less distributions of £7.2m (2021: £2.2m) and net disposals of £4.1m (£0.4m). We continue to undertake property development projects with other parties where we feel there is a mutual benefit.

Inventories were £291.8m (2021: £235.3m) with property inventory increasing to £91.2m (2021: £75.2m) as the Group progressed a Build to Sell opportunity in Birmingham, and existing development schemes, most notably an industrial scheme in Southend. We have increased[3] our housebuilder land and work in progress to £80.6m (2021: £52.5m) as we continue to invest in land, expand regionally into the North East and increase annual plot disposals. We continue to invest in owned land and land interests held under promotion agreements at a lower capital cost. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal.

Receivables, including contract assets, increased £11.8m to £122.9m (2021: £111.1m)[6] due to an increase in commercial activity. Deferred payment receivables remain a function of the number and size of strategic land development schemes sold, and levels of construction contract activity undertaken.

Payables increased to £113.6m (2021: £85.1m) with trade and other payables increasing to £100.0m (2021: £73.9m), provisions decreasing to £5.4m (2021: £6.3m) as strategic land provisions unwind, contract liabilities decreasing to £4.0m (2021: £5.0m), arising from payments received for work not yet undertaken.

Net debt included cash and cash equivalents of £17.4m (2021: £11.1m), borrowings of £65.0m (2021: £50.0m) and lease liabilities of £1.0m (2021: £1.7m). In total, net debt was £48.6m (2021: 40.5m).

At 31 December 2022, the IAS 19 pension valuation has decreased over the year from a deficit of £12.2m to a surplus of £6.2m, driven by a significant decrease in the value placed on the liabilities. This is mainly the result of substantial increases in the corporate bond yields used to discount future benefit payments, which reduces the value placed on the liabilities. The pension scheme's assets continue to be invested globally, with high-quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks. They then make changes, as the Trustee considers appropriate, in conjunction with investment advice received.

Overall, the net assets of the Group increased by 11.0% to £394.3m (2021: £355.3m) from retained profits and the decrease in retirement benefit valuation less distributions to shareholders. NAV per share[3] increased 10.5% to 295p (2021: 267p).

DARREN LITTLEWOOD
CHIEF FINANCIAL OFFICER

NOTES:

1 Underlying profit is an alternative performance measure (APM) and is defined as profit before tax excluding revaluation movements on completed investment properties. Revaluation movement on completed investment properties includes losses of £7.3m (2021: £4.6m gain) on wholly owned completed investment property and losses of £3.2m (2021: £1.2m gains) on completed investment property held in joint ventures. This APM has been introduced as it provides the users with a measure that excludes specific external factors beyond management's controls and reflects the Group's underlying results. This measure is used in the business in appraising senior management performance.

2 Return on Capital Employed is an APM and is defined as operating profit/capital employed where capital employed is the average of total assets less current liabilities and pension asset/obligation at the opening and closing balance sheet dates.

3 Net Asset Value (NAV) per share is an APM and is defined using the statutory measures net assets/closing ordinary shares.

4 Net (debt)/cash is an APM and is reconciled to statutory measures in note 32.

5 Total accounting return is an APM and is defined as the growth in NAV per share plus dividends paid, expressed as a percentage of NAV per share at the beginning of the period.

6 See 'prior year restatements' on page 159.

PRINCIPAL RISKS AND UNCERTAINTIES

MANAGING OUR RISKS

For Henry Boot, effective risk management is essential in achieving positive outcomes from our operations and for the delivery of our strategic targets.

Overview

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

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

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

In the event of rapidly changing risks, our business continuity group, which incorporates key members of senior management, have established procedures and actions that will support the Group's day-to-day response to sudden or developing incidents, providing regular updates to our people, the Executive Committee and the Board.

Risk appetite

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

Risk management framework

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

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

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

Emerging risks

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

The Group continues to recognise the importance of climate risk and its impact on our business and the planet, this is recognised as one of the Group's principal risks and further information on our assessment of climate risk is detailed on pages 72 to 74.

The Group have also considered the political and economic impact of the ongoing crisis in Ukraine. The associated risks continue to be closely monitored and mitigations strengthened, while not a separate principal risk their impact is considered across each principal risk area.

The financial impact of the above are considered in the going concern and viability section on pages 56 to 57.

Risk Governance
Establish risk strategy and appetite

→

Risk Identification and Assessment
Identify and evaluate risk

→

Risk Response and Reporting
Review, report and revise

The Board/The Audit and Risk Committee

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

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

Monitors and reviews internal and external audit.

The Executive Committee

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

Business Continuity Group

Comprises senior individuals from within the Group who meet on a flexible basis to establish the Group's procedures and plans for management of continuity events.

Communicates to our people and directs the immediate business response.

Subsidiary Boards and PLC

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

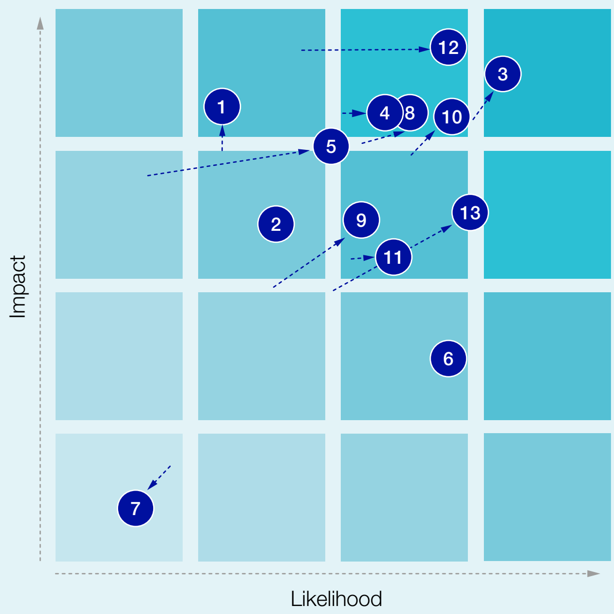
Internal Audit (third party)

Risk heat map

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

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

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



OUR RISKS

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

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
1 **Safety**	Inherent risk within all of our businesses, but most notably within construction activity	• Priority consideration at all Group and subsidiary Board meetings. • Robust training, policies, procedures and monitoring. • Construction operation is ISO 45001 approved Health and Safety management system. • Internal independent Health and Safety department conducts regular random inspections. • Routine Director, senior manager or independent health and safety inspections.	Increased Introduction of Building Safety Act	Safety
2 **Environmental and climate change**	The Group is inextricably linked to the real estate and construction sectors, and environmental considerations are paramount to our success Further detail on the compliance, legal, technological, reputational, financial, market and physical risk associated with climate change are documented in the TCFD section of this Annual Report (pages 72-74)	• Construction environmental risk is managed through the operation of an ISO 14001 approved environmental management system. • Continuous improvement of our performance is achieved by setting annual environmental improvement targets. • Internal design helps mitigate environmental planning issues. • Record of awards given in respect of good safety and environmental performance. • Environmental Impact Assessments are carried out for all construction activities. These detail the action required to eliminate or reduce environmental impacts. • Board level Responsible Business Committee established. • Responsible Business Strategy including NZC framework in place.	No change	Safety

Key

Change during the year

Increased Decreased No change

Group strategic priorities

Safety People Growth Delivery

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
3 **Economic**	The Group operates solely in the UK and is closely allied to the real estate, housebuilding and construction sectors. A strong economy with strong tenant demand is vital to create long-term growth in rental and asset values, while at the same time creating a healthy market for the construction and plant hire divisions	• Strong Statement of Financial Position with no gearing and a long-term shareholder base means that we can ride out short-term economic fluctuations. • Different business streams increase the probability that not all of them are in recession at the same time. • The City recognises the Group is a cyclical business and understands performance will be affected by economic cycles. • Directors and shareholders share a common goal of less aggressive leveraging than some competitors. • Banking partners continue to be supportive.	↑ Rising interest rates, price inflation, debt management and slowing economy	
4 **People and culture**	Attraction and retention of the highest calibre people with the appropriate experience is crucial to our long-term growth in the highly competitive labour markets in which the Group work	• This risk is increased when unemployment falls and labour markets contract. • Long-term employment records indicate that good people stay within the Group. • The Group encourages equity ownership. • Proven record of sharing profits with our people. • Succession planning is an inherent part of management process. • Reward and remuneration benchmarked against the market to ensure competitive.	↑ Impact of cost of living, well-being and mental health issues. Demand and competition for skilled personnel	
5 **Funding**	The lack of readily available funding to either the Group or third parties to undertake property transactions can have a significant impact on the marketplace in which we operate	• The Group has agreed three-year facilities with its banking partners, which run to January 2025 and are backed by investment property assets. • A good level of interest from the banks in tendering for the renewed facilities in 2019, facility renewed January 2020. • New £25m HSBC receivable purchase agreement in place to January 2025. • Detailed cash requirements are forecast up to 15 months in advance, and reviewed and revised monthly. • Five-year business plan prepared as part of strategic review. • As a PLC, access to equity funding is available, should this be required.	↑ Additional funding requirements to support business growth	

OUR RISKS

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
6 Cyber	Unauthorised access to systems, hacking, malware and distributed denial of service could all lead to data loss, business disruption, reputational damage or financial loss	• Awareness updates routinely distributed to our people. • Use of software and security products and regular updates thereof. • Detailed disaster recovery plans. • External vulnerability and threat management reviews. • Internal mock attacks carried out.	No change	Delivery
7 Pension	The Group has a legacy defined benefit pension scheme that closed to future accrual in 2021. While the Trustees have a prudent approach to the mix of both return-seeking and fixed-interest assets, times of economic instability can have an impact on those asset values with the result that the reported pension deficit increases. Furthermore, the relationship between implied inflation and long-term gilt yields has a major impact on the pension deficit and the business has little control over those variables	• Operation of Trustee approved Recovery Plan. • While pension schemes are a long-term commitment, regulations require the Group to respond to deficits in the short term. • The move out of gilts provides a cushion should interest rates rise. • Risk mitigated by move to quoted investments including pooled diversified growth funds. • Treat pension scheme as any other business segment to be managed. • Strong working relationship maintained between Company sponsor and pension Trustee. • Use good quality external firms for actuarial and investment advice. • Scheme now closed to future accrual.	Decreased Liability decreased on funding basis and is now an asset on an IAS19 basis	People
8 Construction contracts	Changes in terms and conditions of standard contracts exposing the Company to major financial and design liability risks	• Preliminary commercial appraisal. • Directors closely involved. • Standard position set out in guide for our people. • Experienced legal and commercial management. • Project specific tender risk register. • Use of pre-construction services agreements help to mitigate cost and risk. • Inflation clauses negotiated where security of pricing cannot be achieved.	Increased Supply chain and viability challenges	Growth Delivery

Key

Change during the year

Increased Decreased No change

Group strategic priorities

Safety People Growth Delivery

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
9 **Property assets**	Investment property assets are not marketable and are without secure tenancies. Valuations are volatile	• Monthly performance meetings. • Defined appraisal process. • Monitoring of property market trends. • Highly experienced development team. • Flexible to market trends in development requirements. • Diverse range of sites within the portfolio and over £1.25bn pipeline of future opportunities. • Portfolio strategy actively managed and covenants regularly reviewed. • Investments in sector with strong medium term tailwinds.	Softening yields	
10 **Property development**	Construction and client risk, which is not matched by commensurate returns on development projects. Clients not taking up new lettings on speculative schemes	• Construction projects, including returns and cash flows, are monitored monthly by subsidiary company management teams. • Seek high level of pre-lets prior to authorising development. • Development subject to a 'hurdle' profit rate. • Shared risk with landowners where applicable. • Highly experienced development team. • Flexible to market trends in development requirements. • Diverse range of sites within the portfolio and £1.25bn pipeline of future opportunities.	Softening yields impact margins and viability	
11 **Land sourcing**	The inability to source, acquire and promote land would have a detrimental effect on the Group's strategic land portfolio and income stream	• Monthly operational meetings detail land owned or under control, new opportunities and status of planning. • Acquisitions are subject to a formal appraisal process, which must exceed the Group defined rate of return, and is subject to approval by the subsidiary board or Executive Directors of the main Board, subject to level of investment. • Land portfolio of over 96,000 plots with aspiration to grow further. • Well respected name within the industry that demonstrates success. • Housebuilder land portfolio at 1,094 residential plots.	Capital taxes & margin erosion	

OUR RISKS

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

Key

Change during the year

↑ Increased ↓ Decreased ↔ No change

Group strategic priorities

Safety People Growth Delivery

Going concern

In undertaking their going concern review, which covers the period to December 2024, the Directors considered the Group's principal risk areas that they consider material to the assessment of going concern.

As the UK economy moves at a slow pace, the Directors have assessed the Group's ability to operate in a more uncertain environment in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario including further curtailments in activities. This downside scenario shows a c.50% reduction in sales and c.67% reduction in profits from the base case. Construction and development activity only takes place where contracted and likewise for Hallam Land where no sales are assumed in 2023 unless already contracted.

For Stonebridge Homes a 10% decline in house prices is assumed along with a 25% reduction in the number of plots sold and Banner Plant revenue declines c.25%. This downside model assumes that acquisition and development spend is restricted other than that already committed and is all consistent with previous experience in recessionary environments. Having started 2023 with net debt[1] of £48.6m, and with c.£63.2m net debt at 28 February 2023, against facilities of £105.0m the Directors have concluded that the Group is able to control the level of uncommitted expenditure, whilst delivering contracted schemes, allowing it to retain and even improve the cash position in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Group meets its day-to-day working capital requirements through a secured loan facility. The facility was renewed on 23 January 2020, at a level of £75m, for a period of three years and extended by one year in January 2021 and a further year in January 2022 taking the facility renewal to 23 January 2025 on the same terms as the existing agreement. The facility includes an accordion to increase the facility by up to £30m, which was called on by the Group on 9 October 2022 increasing the overall facility to £105m. None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 50% reduction in revenue and near 67% reduction in profit before tax from our base case for 2023, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2024.

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

Viability statement

Introduction

The business model and strategy of Henry Boot PLC can be found on pages 28 to 31 in the Strategic Report. These documents outline the long-term business model and are central to the understanding of how the Group operates. We have operated the current business model successfully since 2004 and have a 137-year unbroken trading history. By their nature the Group's activities tend to be very long term, especially in the land promotion business and increasingly within property development. The Group's strategy and experience in the markets in which we operate has been built up over many years. Over the last ten years, the Group has reported an average profit before tax of £37.0m per annum, added over £200.8m to net assets (an increase of some 104%) and paid 64.0p per share in dividends, all from the trading segments it now operates, and at no stage in the last economic downturn, between 2008 and 2010, nor during 2020 and 2021 with the outbreak of COVID, did the Group make a trading loss.

The assessment processes

The Group's prospects are assessed through a three year forecasting process led by the PLC Board Executive Directors and the Boards of the individual subsidiaries. A detailed three-year bottom up base case is agreed prior to the commencement of the current financial year, reforecast each month throughout the financial year within each business and consolidated at a Group level. As a largely deal-driven business, it is considered inappropriate to attempt to prepare detailed bottom-up forecasts over a longer-term period. Whilst our strategic land promotion business commenced 2023 with 9,431 plots with planning permission which, at a five-year average disposal rate of 3,175 plots would imply that we have almost three years of sales already in hand and a property development pipeline of over £1.25bn Gross Development Value (GDV) to be delivered over a period extending beyond five years, it becomes difficult to accurately forecast the timing of transactions beyond year three.

We have stress tested our financial results based on the downside scenario modelled to December 2024, as described in the Going Concern statement on page 56 and 57 followed by an assumed return to planned levels of activity for year three. Our modelling assumes that deferred land sale debtors falling due of £31.8m as at 28 February 2023 will continue to be received during the period either directly from the debtors themselves or via the use of our debt purchase facilities or promissory notes which management consider to be viable alternatives facilitated by UK banks. These models highlight that as economic conditions worsen and construction activity, developments and land sales do not happen as envisaged, deferred land sale receipts, reduced investment and tight cost control sees the Group retain cash in the short to medium term, although long-term profitability would be significantly lower if the aforementioned mitigating actions were required to preserve cash.

Assessment of viability

The long-term strategy: the three year monthly forecasts reflect the Directors' best estimates of the prospects for the business and the Directors consider a three-year period to be appropriate over which to assess the viability of the Group. In addition to the downside modelled, we have also reviewed several potential viability risks to the Group and consider that the following represent scenarios which, if not carefully managed, could impact on the Group's viability.

Firstly, overtrading developments in progress with the attendant increase in leverage, at the same time as the property cycle turns down, asset values are falling, and schemes must be completed to create best value. This creates a potentially damaging scenario where debt is rising, and asset values are falling. Mindful of this scenario, we look to maintain prudent debt levels (even at maximum facility utilisation of £105m) and we have pre-sold or pre-let 63% of the committed development pipeline and secured 97% of the development costs on fixed price contracts.

Secondly, a decline in residential property markets where margins decline due to a lack of government support and planning delays or rejections, compounded by lower sales prices, higher build costs and increased legislative costs. Where possible the Group mitigates this risk by providing quality products from healthy land banks (including consented land) in prime locations.

Finally, a health and safety-related breach that causes a fatality (or similar serious outcome). We manage this risk through a very robust health and safety policy, zero tolerance towards policy breaches and consider health and safety at all of our Company board meetings. Our safety scores continue to be well into the top quartile of the UK construction industry and we have achieved a very safe working environment over the last 20 years.

Viability statement

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

[1] Net debt is an APM and is reconciled to statutory measures in note 32.

SECTION 172 STATEMENT AND STAKEHOLDER ENGAGEMENT STRATEGY

Introduction

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

The Board formally adopted a Stakeholder Policy in 2019, which has been reviewed and revised in successive years, to ensure that the Board is proactively considering the most effective methods of incorporating stakeholder views into decision-making and providing effective engagement with all groups. More detail on this can be found below.

The Board is keenly aware that stakeholder views, and the considerations of ensuring a sustainable and long-term business, as well as maintaining the highest standards of business conduct, are all essential aspects of its decision-making processes. Set out below are some of the ways we ensure this, and decision-making processes will remain under review at ExCo and Board level to ensure that they remain dynamic and rounded. Within this report we also set out a substantial case study on one of the Board's biggest decisions in 2022, detailing the consideration of s.172 factors and how this has shaped the Board's approach.

Our stakeholders

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

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

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

Board Information

- Our Board and senior leaders regularly engage with stakeholders as described on pages 59 to 60
- Board papers on Reserved Matters include consideration of stakeholder interests and views
- Gerald Jennings' role as designated NED for liaison with the Group Employee Forum ensures that the Board consider the views of, and impacts on, the workforce of various decisions
- Leadership and management receive training on Directors' duties to maintain awareness of the Board's responsibilities under s.172

Long-term Strategic Considerations

- The Board reflects on the Responsible Business Strategy and whether the outcome of its decisions support and contribute to the agreed targets
- The Board remains mindful of the Company's corporate objectives and KPIs which are discussed regularly, and have a wholesale review at annual Strategy Days
- Papers seeking Board approval are required to explain how the matter aligns with the Company's long-term strategy. Any items that deviate from the strategy are given additional scrutiny

Decision making

- The Company's culture is a core consideration when making decisions. The Board reflects on whether the action aligns with The Henry Boot Way and our values: Integrity, Respect, Delivery, Collaboration, Loyalty and Adaptability
- Actions directly brought about as a result of Board engagement – some examples are set out in the Employee Engagement section on pages 96 to 97
- Where appropriate, outcomes of decisions are re-assessed, and further engagement and dialogue undertaken

Board Stakeholder Engagement Strategy

The Board Stakeholder Policy, reviewed annually, is key in setting the existing status of current and future engagement with all of the Group's key stakeholders. During the 2022 review, three additional stakeholders were identified as having relevance in relation to Board engagement – Regulators, Media, and Professional Associations. Engagements with these groups are planned for 2023 and will be reported on next year. It is important to note that the below sets out Board specific engagements, not the broad and thorough range of engagements undertaken by the wider Group with each of these stakeholders.

Stakeholder	Why is it important for the Board to engage with this stakeholder group	How we the Board engaged in 2022	How we the Board responded
Shareholders	Dialogue with our shareholders to understand issues that are important to them is vital in shaping the approach of the Board, and the wider Group, in ensuring the delivery of our strategy, growth plans and returns	• Bi-annual Investor Roadshows and structured feedback sessions with institutional investors and major family and other shareholders • Focussed investor communication regarding significant issues as required • Regular Board updates on investor and proxy advisor sentiment collated by management / brokers / PR consultants • Informal and ad hoc shareholder engagement with family and other substantial shareholders • Attendance by all Board members at the AGM, available to answer questions and engage directly with shareholders	• Ongoing and structured communications on results • Consideration of appropriate guidance to be issued where required • Communication of key initiatives such as strategy and ESG objectives
Employees	Our people are the biggest asset of the Group, and ensuring that their priorities are understood makes sure that the Board can take their views into account when delivering on our strategic aims	See our Employee Engagement report on pages 96 to 97, plus: • Subsidiary board MDs and department heads attended Board meetings to discuss issues relevant to their company/team and the Group • Board members attended subsidiary board and other meeting opportunities throughout the year	• See examples within employee engagement report plus case study on page 61
Customers	Making sure that the services we offer are well received by customers is vital as a long-standing business with a reputation for longevity in its relationships	• Board site visits arranged to not only view sites in construction/development but also potentially interact with customers. This has now been supplemented by providing Board members with details of all subsidiary meetings / visits that they can attend on an individual basis if convenient • Reports regarding customer engagement across the Group comes to Board meetings twice annually	• Introduction of structured customer feedback initiatives within each subsidiary • Inclusion of customer feedback mechanisms within wider Marketing and Communications Strategy as considered at the Strategy Days
Pensioners	As former employees of the business, pensioner engagement ensures we maintain focus on our investment outcomes and returns	• Pensioner's lunch arranged by the company invitations extended to Board members • Ad hoc attendance by Board members at ad hoc events for pensioners and family members • Pension Newsletter produced on an annual basis and a copy issued to relevant members • Pensions report presented bi-annually at Board meeting to show the performance of the pension scheme • CFO attends Pension Trustee meeting as a representative of the Company	• Oversight of pension related matters on a regular basis

SECTION 172 STATEMENT

Stakeholder	Why is it important for the Board to engage with this stakeholder group	How we the Board engaged in 2022	How we the Board responded
Suppliers	As with customers, our supply chain is crucial, and our long-standing relationships ensure we are able to deliver on our commitments	• Board site visits arranged to not only view sites in construction/development but also potentially interact with suppliers, supplemented by providing Board members with details of all subsidiary meetings / visits that they can attend on an individual basis if convenient • Matters Reserved for the Board reports from Group subsidiary companies contain sections on stakeholder engagement including suppliers	• Inclusion of supplier feedback mechanisms within wider Marketing and Communications Strategy as considered at the Strategy Days
Communities	Being a responsible corporate citizen of the areas we operate in aligns with our values and is a substantial aspect of our Responsible Business Strategy	• Much work has been done on an individual project basis and also subsidiary and Group wide on community engagement, particularly through the Responsible Business Strategy, overseen by the Responsible Business Committee, and set out in this report on page 34 • Matters Reserved for the Board reports from Group subsidiary companies contains sections on stakeholder engagement including communities	• Community partnership targets included within the Responsible Business Strategy – see page 34
Environment	Similar to communities, responsibility to the environment as our wider stakeholder is integral to delivery of our ESG objectives, as well as ensuring we operate within our environments in a responsible manner	• Matters Reserved for the Board reports from Group subsidiary companies contain sections on stakeholder engagement including environment • Current environmental assessment and reporting is captured in the Responsible Business section of the Annual Report, which is reviewed by the Board • H&S report brought to each PLC Board meeting setting out inspections and issues noted, plus any interactions with authorities such as the HSE • Employees from across the Group who are involved in delivery of the Climate Change Framework are invited to relevant Responsible Business Committee meetings to share updates.	• Environmental targets included within the Responsible Business Strategy – see pages 35 • Responsible Business Committee approved adoption of Climate Change Framework – more detail on this within the Responsible Business Committee Report on page 117

CASE STUDY

Relocation of the Group's Head Office

For some years, the Board and senior managers within the business have been reviewing options for the Group's Head Office in Sheffield. The existing office building, Banner Cross Hall, is a Grade II listed former stately home in one of Sheffield suburbs, occupied by the Group for around 90 years. As such, although an imposing and impressive building, it has a number of features that are not conducive to modern office working, following a review of our working needs post-pandemic; as well as being in need of extensive modernisation for environmental and other reasons. For this reason, alternative options including a move to a purpose-built office within Sheffield city centre were also explored. The options, having been considered by the Board, triggered a process of engaging with and considering various stakeholders as part of the ultimate decision being progressed throughout 2022 and into 2023.

The following timeline sets out the progress of the Board's decision-making and interactions that incorporated stakeholder views within the process:

November 2021 options in principle considered by Board at 2021 Strategy Days, including detailed costing for Banner Cross Hall refurbishment. Board resolved to continue exploring this option along with alternatives

February 2022 following identification of alternative office space within Sheffield, Board resolved to carry out engagement with employees on the options

March 2022 town hall meeting held at Banner Cross Hall (broadcast as live webinar to the Group) explaining the options being considered – Banner Cross Hall refurbishment and relocation to alternative office space, with benefits and drawbacks of both explained. Consultation exercise launched within the Group, offering both open and confidential methods for employees to provide feedback

April 2022 having further considered the options and feedback received, the Board determined that it wished to progress with the option to relocate to alternative office space

May 2022 decision to relocate to alternative office space communicated to employees. Project team established comprising of a Steering Group and dedicated workstream leads as well as employee-led working groups focussing on key areas raised during the feedback consultation: Culture and Heritage; Agile Working; Personal Safety, Travel and Parking; Collaboration; and Location

June 2022 external workspace design support appointed and Working Groups commence gathering initial employee feedback on workspace considerations

July 2022 following collation of feedback, it is incorporated into initial workspace design and consultants engage with key teams throughout the business for additional views

September 2022 presentation of initial workspace design to Board for feedback

Work has continued on progressing the development of the relocation plans with regular updates to the Board, and the project team structure will remain under review during 2023 as the Group looks to move to its new head office as required.

Consideration of s.172 factors

Likely consequences of decisions in the long term

The Board has considered the fitness for purpose of Banner Cross Hall post-refurbishment, noting that due to the listed nature of the building, it would have remained as a predominantly cellular structure, not allowing for many open-plan options or to accommodate post-pandemic working needs. Also, although the environmental impact of the building would have been mitigated, it would have been unlikely to achieve a good EPC rating.

Interests of the Company's workforce

Naturally this has been one of the primary considerations for the Board to take into account as part of making this decision, and the methods of incorporating the expressed interests and concerns of the workforce are as set out in the timeline above.

Need to foster relationships with suppliers, customers and others

The Board took into account when considering the alternative office location the ease of transport links to a central city location, proximity to key customers and suppliers, and enhanced space to provide interactions with all key stakeholders, as well as improved ability to attract talent to the business.

Impact on community and environment

The impact on the local community of vacating the building at Banner Cross Hall has been discussed by the Board as part of its decision making, also taking into account the environmental impact of the building versus an alternative option (also see above), as well as the contribution that could be made to creating a vibrant city centre by being located within it.

OUR PEOPLE

Our Approach

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

We collaborate with our people to enable them to achieve their best. We work to continually develop and maintain a culture of inclusivity that enables us to attract and retain the best talent to work at every level. Our people are committed to working as part of our team and support and represent our Values.

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

Agile Working

In July 2021 we launched our Agile Working Framework and we continue to enshrine the learnings we adopted from the Pandemic in our future ways of working.

The Framework's vision is to change the way we work to improve work-life balance for our people, while maintaining high levels of engagement and service for our stakeholders. We believe an element of agility can be achieved in all our job roles, but we recognise that not all tasks can be done from alternative locations or from home.

For roles that must be performed in a particular location, we continually work to identify opportunities to be agile in different ways, such as adapting start and finish times to minimise commuting time, fulfil personal commitments, or make time for hobbies.

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

We convened an Agile Working Group to review the Group's approach and this formed one of the Employee Working Groups established as part of the Isaacs Head Office relocation project (see page 61). The Group members represent a range of job roles, seniority, location and function across our business and they have developed recommendations for how we can further improve and refine our Agile Working Framework. We will be incorporating these recommendations into an updated version of the Framework which will be launched in 2023.

OUR PEOPLE

Employee Engagement Survey

Our Objectives

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

The survey and our findings focus on the Group as a whole. Whilst we can look at our subsidiaries as separate entities (which will be beneficial for business specific feedback), we have opted to look at the scoring holistically as a Group to push for more collaboration, a collective responsibility and a joined-up approach to culture and engagement.

Our Process

Our process facilitated by HIVE (our employee engagement partner), saw our annual Employee Engagement Survey housing a framework of 34 questions that were used to measure progress when compared with the responses within our previous survey conducted during 2021. Some questions were based on those posed previously to allow for statistical analysis of change; however, other questions were more focused on 2022 and specifically how we have, and continue to, adapt to issues such as the cost of living crisis.

71%

RESPONSE RATE
(INCREASE OF 7% FROM 2021)

Our Findings

The survey results show that our people have remained resilient, optimistic, and focused on working as a team to maintain delivering an exceptionally high standard for our clients and partners.

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

VERY GOOD GROUP eNPS SCORE OF

39

(an increase of 13 points from 2021)

8.8

We received an 8.8 employee engagement score when our people were asked whether they have good relationships with others in their team.

8.4

We received an 8.4 employee engagement score when people were asked if they feel proud to work for Henry Boot.

Did You Know?

Each year, our Group Employee Forum are tasked with a project focused on the results of the survey. In 2022, they focused on health and wellbeing and, particularly, on maintaining boundaries between professional and personal lives. The findings from their project were shared with the Board and incorporated in to the new Health and Wellbeing Strategy.

Key Outcomes

Working collaboratively

Our eNPS of 39 (26 in 2021) was significantly higher than last year. We believe this is in response to the positive actions taken, in collaboration with our people, to address any issues or experiences they raised in the 2021 survey. The actions we took focused on three key themes – involving employees about decisions in the future, creating an enjoyable work environment, and investing in our people.

Wellbeing

Wellbeing was again a key theme in the 2022 survey and we have been working hard to support the health and wellbeing of our people (see page 65 for more information). We recognise that our people experience pressure and we remain committed to implementing our new Health and Wellbeing Strategy (which has been influenced by the survey results and feedback from our Group Employee Forum). This will support our people to establish and maintain positive work-life boundaries and feel empowered to switch off when not working.

As part of the Employee Engagement Survey, we continue to roll out our Open-Door platform where our people can provide us with confidential honest feedback. This platform has been well adopted and has demonstrated the real sense of honesty and integrity that underpins our workplace culture, the Henry Boot Way.

In relation to employee engagement more widely and the role of the Board in this, please also see our Employee Engagement section on pages 96 to 98.

Reward Strategy

We launched our Reward Strategy in September 2022 which aims to ensure that all our people are fairly rewarded. We intend to clearly outline and align the pay and progression structures across the Group in support of our aspirations to attract and retain a talented and diverse workforce.

Our Strategy is strongly linked to our Values and behaviours and introduces a new grading and pay structure and bonus scheme which provides everyone with an earnings opportunity linked to performance. It can be summed up in these five principles which guided the changes we are making:

1. **Competitiveness** – offering competitive pay so we can both retain people and attract new talent into the business
2. **Fairness** – ensuring that our reward structure is fair and rewards people for the level of performance and contribution they give
3. **Structure, transparency and inclusivity** – providing regular updates on how we are performing, as well as giving clarity on how the performance of our people will be managed, linking it more closely with personal development and wellbeing
4. **A 'One Henry Boot' approach** – reward that's right for us
5. **Simplicity and consistency** – making sure that the processes are clear, easy to understand, and consistent for everyone.

By having a structure in place that is consistent and easy to understand, we hope our people will be able to see what the next step looks like for them, not just in terms of reward but also in terms of skills development, responsibility, and career progression.

Health and Wellbeing

Our people are our greatest asset and investment in their health and wellbeing is critical to ensure that they are healthy, productive, and fulfilled in their roles.

Whilst the health and wellbeing of our people has long been a primary consideration, we recognise that a more strategic, interventionist, and collaborative approach is needed. This will ensure that we provide the best possible support to our people and continue to be successful and enjoy commercial growth driven by fulfilled and productive people.

The development of a new Health and Wellbeing Strategy is a primary objective of both the Group's People Strategy and Responsible Business Strategy. In the materiality assessment undertaken in the development of the latter, the health and wellbeing of our people was ranked the highest material issue that we should focus on by both internal and external stakeholders.

Our Health and Wellbeing Strategy was developed throughout 2022 by the Group HR team who engaged the Group Employee Forum, a cross-Group working party, and a range of external partners to share knowledge and solutions. The Strategy launched in 2023 and consolidates our existing offer making it more accessible whilst adding additional initiatives, resources, and training that our people can access to ensure we respond to their individual needs. The Strategy focuses on the Group's support for our people across four key areas of wellbeing – physical, mental, digital, and financial.

Financial Wellbeing

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

We operate the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution pension), where the Group pays contributions to an independently administered fund (AVIVA) based upon a fixed percentage of employee's salary. Member benefits from the plan are determined by the amount of contributions paid by the Group and the member, the investment returns on the investments made by the individual based on their risk appetite (with most people remaining in the pre-selected Default Fund), and the decisions made by the member on retirement age and how they choose to receive their retirement benefits. We have implemented the UK's auto-enrolment pension requirements, including re-enrolment on a triennial basis, and our people are informed of auto-enrolment and other pension choices through our online portal and the Hub.

Did You Know?

We recognised the impact that the cost of living and energy crisis could have for our people's financial security and wellbeing. In response, we provided a one-off cost of living payment of £1,000 in September 2022 to the lowest paid two thirds of our workforce

We partnered with ISIO to provide our people with financial coaching sessions with one of their expert finance coaches. The individual sessions gave access to a professional and independent financial coach, who provided a confidential 'health check' of finances and answered any questions about managing finances. 43 sessions were delivered and further sessions will be made available to our people in 2023 as part of our Health and Wellbeing Strategy.

In October 2022 we granted share options to all our people who met the eligibility criteria for the Company Share Option Plan (CSOP). We also sent invitations to those who were eligible to participate in the Group's 2022 Sharesave scheme, which allows people to contribute a maximum of £500 per month to one or a combination of current Sharesave schemes. The Remuneration Committee agreed to apply a 20% discount off the share price, the maximum discount allowed under the HMRC rules. At the close of the invitation, 54.9% of those who were eligible had joined one or more Sharesave schemes.

EDI

We aim to create a fair, accessible, diverse, and inclusive working environment, while recognising the challenges our sector has traditionally experienced, particularly in relation to gender and ethnicity representation and diversity. We want to foster a sustainable culture in which all our people can be themselves at work so that they can thrive, add value, and feel valued. We believe that this will bring out the best in our people and lead to long term success and sustainability. You can read more about our strategic approach to EDI and 2022 performance on page 33.

Did You Know?

In 2022, we supported Sheffield City Council's Future Proof work experience scheme. We partnered up with a Sheffield based secondary school and worked with their students to develop a fictional marketing campaign that Henry Boot could run to improve our diversity. The winning team then met with our EDI Steering Group to share their ideas and receive feedback.

OUR PEOPLE

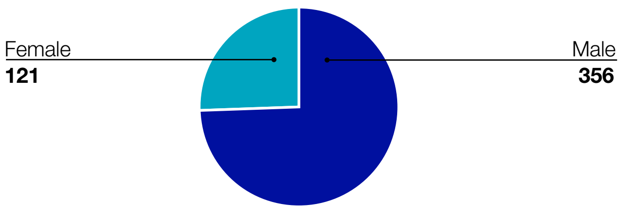
Although we recognise that the ambitions and objectives in our Responsible Business Strategy will take time to achieve, we are fully committed to working with key partners to engage with under-represented groups through various networks. We will encourage diversity of thought and approach amongst our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

We support our people wherever possible, whether they are new to the Group or have been with us for some time. Our opportunities for learning, career development, and promotion are inclusive to all our people. We are proactively engaging with external stakeholders (including local government and special education providers) to learn about how we can best support those who are disabled or have special educational needs (SEND) into meaningful employment and to offer SEND students rewarding career education experiences.

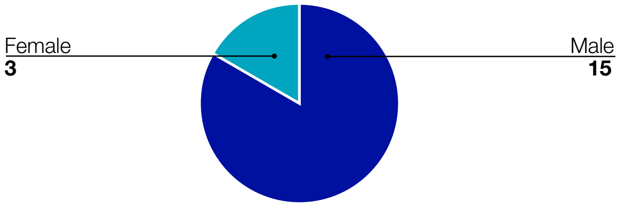
The Board Diversity Policy is set out in more detail as part of our Nomination Committee report on pages 104-110. Our gender pay gap (when measured as a median average) is currently 21.43%. This continues to reflect the current ratio of men and women employed rather than an issue relating to how we pay our people. Our Responsible Business Strategy sets out ambitious targets for us to increase our workforce diversity and we recognise that further improving our gender diversity in our workforce and management teams will support us to further reduce this gap. We are also currently undertaking the necessary preparations to begin reporting on our ethnicity pay gap.

The Strategy will guide us to ensure our recruitment processes attract diverse talent and ensure our workforce reflects the diversity of the communities in which we live and work, by increasing opportunities and reducing barriers to under-represented groups.

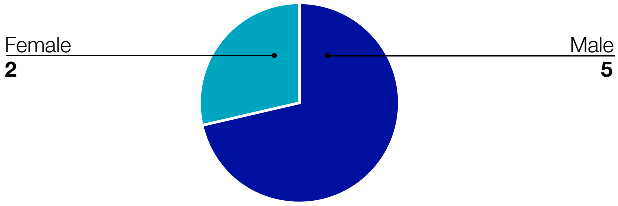
All employees



Senior Managers



Directors



Professional Development

Delivering a workplace culture and positive career experience that attracts new and diverse talent and retains experienced people will give us the ability to compete successfully and ensure long term sustainability. The Group has a relatively low level of people turnover as the retention and development of our internal talent remains critical to our success. Our turnover in 2022 was 16.1%. Our high retention rates ensure that we have a solid base on which our people can grow, develop and achieve their potential. Our directly employed headcount was 477 at the end of 2022.

We recruited a further 9 apprentices in 2022, which brings our total number of current apprentices to 20 with a further 6 trainees. Our trainees and apprentices are enrolled on formal courses of education and supplement their learning through in house training and experiential development.

Our preferred succession planning method is one of in-house development and growth; consequently, we also have a number of experienced 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. Throughout 2022, 6 of our people completed their education programmes and a further 2 progressed onto the next level of their employment programme. We have key pathways in place for our apprentices and trainees to ensure our talent pipeline continues to flourish.

Throughout 2022, our senior leaders who participated on our Senior Leadership Development Programme (SLDP) have continued to develop their own skills and knowledge and have continued with coaching and mentoring activities. A further 2 participants completed this Programme in 2022.

Throughout 2022, we also hosted our Leadership Development Programme (LDP) which has been attended by 15 of our middle managers. This unique programme of development and support aims to encourage further aspiration and development and progression potential in our future leaders. We also piloted a new Management Development Programme (MDP) which will be rolled out in 2023 and aims to provide Line Managers in the business with enhanced people focused skills and behaviours..

We delivered 1,773.5 learning and development days (an average of 3.7 days per person) and there was also an unquantifiable amount of ad hoc learning and development, which takes place on a daily basis at our sites, offices, depots and via remote engagement. The coming year will see a renewed learning and development provision being rolled out across all subsidiaries which includes a focus on developmental outputs from building capacity and capability at all levels, provision of mentoring and other interventions, which will seek to build resilience and increase performance amongst our people.

Our Performance Development Review (PDR) process places focus on a quality, two-way conversation, aimed at developing our people, sustaining and improving performance across the business. Our approach is to encourage this conversation throughout the year, through a process of interim and midyear reviews, to ensure our people know what is expected of them and have support in achieving this.

In 2022, we took the decision to begin to have a more open and transparent conversation about performance against SMART objectives and how our people were progressing against those.

We introduced Performance ratings and SMART objectives, with a focus on not only tasks and operational deliverables, but Values and behaviours.

This is an evolving process, which will continually develop over the years ahead through engagement with our people across the whole business.

Health and Safety

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

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

Our Performance

Our Accident Incidence Rate (AIR) and Accident Frequency Rate (AFR) performance remains strong, and we are delighted to report that for the eleventh consecutive year, our construction related AIR and AFR for our directly employed people and operatives is zero.

We are pleased to report a strong overall (including subcontractors) Accident Incidence Rate (AIR) of 276 (injuries per 100,000 persons) and Accident Frequency Rate (AFR) of 0.14. This result is a combination of the effectiveness of our management processes, the commitment of our project teams, our continuous improvement approach and Zero Harm initiatives. This strong health and safety management culture has resulted in securing a prestigious RoSPA Gold Medal Award for the 13th consecutive year resulting in a RoSPA Presidents Award.

In 2022, our Construction segment successfully maintained approval to the ISO 45001 (Occupational Health and Safety Management System) standard, in addition to ISO 14001 (Environmental Management) and ISO 9001 (Quality Management) standards which are assessed by Lloyd's Register Limited.

We continue to be a Considerate Constructors Scheme Partner, registering two of our projects as 'Ultra Sites' which commits the sites to the highest standards of considerate construction in the 'Respect the Community', 'Care for the Environment' and 'Value their Workforce' scoring criteria. We are delighted to report our average score for 2022 was 42.67 (industry average score is 39.77).

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

Our Supply Chain

Our partnership with our supply chain is critical to our success and we work hard to engage and collaborate with all of our suppliers and partners to create and maintain long term successful relationships. We have a commitment to securing the services of predominantly local subcontractors and utilising local suppliers to minimise the miles and emissions that working with us produces and to generate social value for the communities in which we work. This continues to be a strong and responsible approach for our business.

Human Rights

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

- Anti-Bribery and Corruption
- Equality, Diversity and Inclusion
- Ethics
- Modern Slavery
- Rights to Work
- Whistleblowing

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

Modern Slavery

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

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

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

Anti-Bribery and Anti-Corruption

Delivering our services with a zero-tolerance approach to corruption in any form is essential for us to demonstrate our Values, long-standing commitment to ethical behaviour and integrity, and to uphold our reputation and image. Our Anti-Bribery and Corruption Policy sets out the standards expected of all Group employees and supply chain members in relation to anti-bribery and corruption and the Board has overall responsibility for ensuring this policy complies with the Group's legal and ethical obligations and that everyone in our organisation and supply chain complies.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) RECOMMENDATIONS REPORT

Compliance Statement

Over the course of 2022 Henry Boot has continued to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and the accompanying guidance notes, to further embed the requirements within our wider Responsible Business approach. The table below sets out in more detail where we have assessed ourselves in relation to our level of consistency with the recommendations of TCFD, and an explanation of the steps yet to be taken where we are not currently fully consistent. Where we have indicated 'Full' consistency with the recommendations of the TCFD, this means that we believe we have achieved the minimum of the recommendations set out, but nevertheless acknowledge that there will be further work to do to refine and enhance this approach in coming years. 'Partial' consistency indicates that we have carried out some work but are not yet fully consistent with the recommendations. Where we have stated we are at the 'Beginning of the journey' we have plans in place to achieve full consistency but recognise that the bulk of the work has not yet commenced and may take more than the following 12 months to complete. The table also provides references to other sections within this Annual Report where further detail can be found. We expect that over the course of 2023, we will continue to delve into this and understand the wider impacts it may have on our strategic focus, to ensure that our strategy development is properly debated and embedded within our operations. For this reason, as we set out below, in some areas we have chosen to explain the extent of current consistency with the recommendations and the direction of travel as we move forwards.

Given that the industries represented within our Group include construction and property development, we are aware that we are classed as a "higher risk business" and acknowledge that we need to continuously develop our level of disclosure to ensure that it is more thorough and progressively advanced. This will be an area of further development for us over the course of 2023 and beyond, as well as involving appropriate levels of external assurance to the risks and opportunities we identify, the scenario modelling work we undertake, and the materiality of the financial impacts those risks may present to the business.

Compliance Assessment Table

Provision/ Consistency Level	Achieved to Date	Future Developments	More Information
GOVERNANCE			
Board oversight of climate-related risks and opportunities F	• Responsible Business Committee established, providing Board-level importance to all ESG related matters, including oversight of the Group's Climate Change Framework, and achievement of all ESG related targets within the Responsible Business Strategy • Climate related risks and opportunities form part of the annual risk management procedures • Remuneration Committee has oversight of the incorporation of ESG related metrics into executive remuneration • Skills and experience in climate issues formed part of recent Non-executive Director recruitment and are assessed in the Board skills assessment • Reporting within the Strategy Days assessed how the business as a whole and the individual subsidiaries had performed against ESG metrics and targets. All strategies include ESG related objectives • An extensive governance structure is in place for all ESG related matters • Training and engagement sessions held with subject matter experts and Responsible Business Committee • Budgeting process accounts for all ESG related expenditure required for achievement of Responsible Business Strategy	• Increased amount of ESG updates to ExCo and Board planned for 2023 • With Serena Lang assuming the role as the Chair of the Responsible Business Committee, we will be working to ensure that her knowledge and experience further develops the role of the Committee in interrogating areas of delivery and focus • Further training and upskilling sessions to be held with Responsible Business Committee, Executive Committee and other senior leaders within the business during 2023 • Strategy planning to follow for November 2023 Strategy Days including incorporation of scenario modelling work into longer term strategies, to be reviewed by Board and ExCo, and to further develop the corporate objectives linking with ESG risks and opportunities	Responsible Business Committee Report, (pages 116 to 119) Governance Structure, (page 87) Director's Remuneration Report (pages 120 to 136) Risk Report (pages 50-56)

Key:

F Full compliance **P Partial compliance, progress made** **B Beginning of the journey, plans are in place to address**

Provision/ Consistency Level	Achieved to Date	Future Developments	More Information
GOVERNANCE			
Management's role in assessing and managing climate-related risks and opportunities F	• Executive Committee members are responsible for delivering against specific targets calibrated to ensure each business contributes to achievement of climate-related goals, and are periodically updated about progress against Responsible Business Strategy • The ESG Steering Group (comprising of the Chief Executive Officer, Chief Financial Officer, Finance Director, HR Director, General Counsel and Company Secretary, and Responsible Business Manager) helps to assess all ESG related issues including climate issues, to support the Board, and bringing leaders from across the Group together for a multi-disciplinary approach. This considers progress against the Responsible Business Strategy but also cross cutting issues such as property environmental performance and associated objectives • The Chief Executive Officer has ultimate oversight of the Group's environmental performance and achievements, which is reported on to the Executive Committee along with the Board, and disseminated down to other senior management and more widely within the business through planned information releases	• Increased amount of ESG updates to ExCo and Board planned for 2023 • Further training and upskilling sessions to be held with Responsible Business Committee, Executive Committee and other senior leaders within the business during 2023 • Governance structure will continue to be assessed during 2023 to ensure it is fit for purpose and is providing sufficient focus to all required areas. In addition, wider climate issues with the potential to impact strategic direction will be considered more holistically within the groups established, as appropriate	Responsible Business Committee Report, governance arrangements (page 118) Responsible Business Committee Report, management roles on committee and groups (page 117)
STRATEGY			
Climate-related risks and opportunities identified over the short, medium, and long term P	• These have been identified and are as set out in the table within this report on pages 72 to 75	• These will remain under review on an annual basis in line with our usual risk review process, with the additional developments regarding the risk review process that are outlined on page 71	Risk Report (pages 50 to 56)
Impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning P	• Responsible Business Strategy was considered by the Board and Executive Committee at the Strategy Days in 2021 prior to its introduction. The overarching objective of the Strategy is to embed ESG into the Group's commercial decision-making processes • Strategy Days in 2022 reflected on progress achieved in delivery of the Responsible Business Strategy • Group's five-year business planning (into which ESG related expenditure was incorporated)	• Scenario modelling work had not been completed in sufficient time prior to the 2022 Strategy Days to enable these to be reflected within the strategy documents and will be completed in 2023 • Strategy planning to follow for November 2023 Strategy Days including incorporation of scenario modelling work into longer term strategies, to address risks and opportunities identified, to then also be reflected more fully within the budgeting and financial planning process	
Resilience of the strategy, taking into consideration different climate-related scenarios B	• Scenario modelling work to date is captured within the scenario modelling section of this report	• Qualitative scenario modelling work is ongoing and consideration will turn in the next 18 months to quantitative scenario modelling and how this could further impact on strategic considerations and further financial planning	

Provision/ Consistency Level	Achieved to Date	Future Developments	More Information
RISK			
Processes for identifying and assessing climate-related risks F	• As set out in the accompanying notes to the table within this report	• We will continue to deepen our exploration of how these risks are prioritised against the other principal risks as identified, and our assessment of their materiality, over the course of 2023	
Processes for managing climate-related risks B	• As set out in the table within this report	• Qualitative scenario modelling work relating to the risk identified is ongoing and consideration will turn in the next 18 months to quantitative scenario modelling and how this could further impact on strategic considerations and further financial planning	
How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management F	• The Group undertakes an annual review of its principal risks as documented in pages 50 to 56 of this report. This review which is undertaken at a subsidiary level includes consideration of the risks and opportunities relating to climate change. The financial impact of the risks is in part quantified in our NZC transition workings, although are not material to the business. As part of the assessment of the climate-related risks and opportunities, the management and/or mitigation of each item identified sets out the response, and a decision to Treat, Tolerate, Terminate or Transfer each relevant item following such management or mitigation was indicated	• We will continue to deepen our exploration of how these risks are prioritised against the other principal risks as identified, and our assessment of their materiality, over the course of 2023	Risk Report (pages 50 to 56)
METRICS AND TARGETS			
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process P	• Metrics relating to GHG emissions have been adopted as part of overall Responsible Business Strategy – see page 35 of the Responsible Business Report and page 76 • GHG emissions reduction target supported by sub-targets focused on reduction of business travel, fleet electrification, sustainable generator usage and reduction of water usage • Remuneration related targets on GHG emissions have been incorporated into the bonus objectives for the Executive Committee and will also be incorporated into LTIP objectives from 2023	• Further work will be required following the climate-related scenario planning work which will commence in 2023, to understand the impact that these outcomes have on the Group's Responsible Business Strategy and Group Strategy, and whether this should alter any metrics previously determined • Additional metrics to be established to incorporate the required cross-industry, climate-related metrics	Responsible Business Report (page 35) Director's Remuneration Report (page 135) NZC Framework at henryboot.co.uk

Provision/ Consistency Level	Achieved to Date	Future Developments	More Information
METRICS AND TARGETS			
Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and the related risks P	• Scope 1 and Scope 2 GHG emissions are set out below	• The risks related to these have not been fully quantified and will be the subject of further review and assessment • Work to identify a partner to assist in assessing our Scope 3 GHG emissions will be undertaken during 2023 to commence this work in 2024 and beyond	Responsible Business Report (page 35)
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets P	• Targets relating to a number of environmental factors have been adopted as part of overall Responsible Business Strategy – see page 35 of the Responsible Business Report and page 76	• Further work will be required following the climate-related scenario planning work to understand the impact that these outcomes have on the Group's Responsible Business Strategy and Group Strategy, and whether this should alter any targets previously determined	Responsible Business Report (page 35)

Key:

F Full consistent P Partial consistent, progress made B Beginning of the journey, plans are in place to address

Governance

The Group has set up a comprehensive governance structure incorporating a Responsible Business Committee of the Board, plus a number of special interest groups, committees, steering groups and working groups, which is set out in further detail on page 118 within the Responsible Business Committee Report. Through this structure we can ensure that necessary activities are delegated to the appropriate groups to provide the required focus to these areas, with the Responsible Business Committee, and ultimately the Board, maintaining overall oversight and direction. In addition, page 117 of the Responsible Business Committee Report sets out the roles of various senior managers within the business, and their links to the various groups, to outline how senior management has the necessary oversight and involvement with responsible business delivery.

Risks and Opportunities and Risk Management Process

A risk and opportunity assessment has been carried out in conjunction with the managing directors of each subsidiary business, the Executive Committee, Audit and Risk Committee and Responsible Business Committee, to identify potential risks and review the likelihood and impact. This focussed on each area of physical and transitional risk identified as being pertinent to the industries in which we operate. Once completed, this was compiled into an overall matrix of risk and opportunity, which can be seen in the tables on pages 72-75. As this exercise has been performed in respect of each part of the business, it has included assessment of risk by sector (and geography to the extent it is relevant).

During 2023, we will be carrying out further work with the various subsidiary businesses to re-review the risks and opportunities identified, and further develop the strategy for whether these climate-related risks should be mitigated, transferred, accepted, or controlled. The review will also determine the potential materiality of the financial risks that may be posed, assessed by reference to the two scenarios that are identified within the table below, and how this may impact on strategic direction, as well as the opportunities that each part of the business should focus on in developing their strategies. This can then be fully modelled within the subsidiaries' and Group's strategies for the Strategy Days in November 2023. This will be reported on more fully in next year's report. This work needs to be carried out before determining the extent to which those strategies may be altered by this exercise.

In relation to the timeframes considered for the risks and opportunities identified below, these have been reconsidered following last year's reporting, and the Group considers short term to be up to 2030, medium term to be up to 2040 and long term to be up to 2050. The financial commitments required to address the short-term risks are embedded in the Group's short-term budget and five-year business plan. We have taken this approach as we recognise that the response to climate change is evolving rapidly and, whilst it is essential to deliver cost projections for the investment needed to tackle climate change, we must maintain flexibility to adapt our projections to take into account changes in the regulatory and legislative landscape and the evolving technological response and availability.

OUR RESPONSIBLE BUSINESS
TCFD

Risk Table

Low emissions scenario: 2°C warming	Transition Risk	Potential financial impact	2030	2040	2050	Response
In this scenario the business is exposed to significant transition risks, including more stringent reporting regulation and short-notice legislative changes with requirements to adopt new or alternative materials and technologies that deliver low-carbon whole-life infrastructure assets and buildings. It includes associated supply chain impacts and potential cost increases.	Technology	Capital cost of replacing/upgrading plant and vehicles Subsidiaries affected: BP and HBC	Significant risk	Elevated risk	Elevated risk	A balanced transition to carbon friendly plant and vehicles considering our customer base, the Group's NZC targets and availability of technological advancements. The Group have assessed the cost of transitioning as part of our NZC framework, including the transition of cabins, generators and electrification of the fleet. These costs are included in the Group's five-year business plan. We will look at scenario modelling the costs of transition in the next 18 months.
	Financial	Increase in supply chain costs as their transition costs (including technological and legislative) are passed through to main contractor/developer Subsidiaries affected: HBD and HBC	Elevated risk	Elevated risk	Low risk	It remains difficult to predict the speed at which our supply chain will transition and the likely increase in cost to the Group or indeed our ability to share the cost with our customers. The Group's aim is to maintain healthy margins on all developments by appropriately fixing costs and pricing accordingly while also supporting the transition of our Group and others to a low carbon economy.

Unmitigated risk Significant risk Elevated risk Low risk

Subsidiary

HBC = Henry Boot Construction
BP = Banner Plant
HLM = Hallam Land Management
SBH = Stonebridge Homes
HBD = Henry Boot Developments
RL = Roadlink (A69)

Low emissions scenario: 2°C warming	Transition Risk	Potential financial impact	2030	2040	2050	Response
In this scenario the business is exposed to significant transition risks, including more stringent reporting regulation and short-notice legislative changes with requirements to adopt new or alternative materials and technologies that deliver low-carbon whole-life infrastructure assets and buildings. It includes associated supply chain impacts and potential cost increases (cont.)	Market	Demand for sustainable assets rapidly increase / reduced appetite for assets that do not meet sustainability criteria Subsidiaries affected: HBD, BP and HBC				The Group continues to invest in sustainable schemes and assets in line with Group targets and to position ourselves favourably in the market. The increasing cost of switching to sustainable options will in some cases be passed to customers or be embedded within initial appraisals, we also expect the Group will retain costs in some cases as a responsible employer and where this is the case provision is made in the Group's budget and business plan.
	Policy and legal	Government legislation designed to reduce emissions (such as emissions trading schemes/carbon tax requirements, biodiversity net gain or Future Homes standards) changes specifications and increases costs of schemes impacting viability. Subsidiaries affected: HLM, HBD and SBH				The Group closely monitors existing and emerging legislation such as the Future Homes Standard and biodiversity requirements in advance of committing to a scheme. Appraisals then fully embed additional legislative costs which currently remain within accepted target return levels.
		Strategic Land values reduce as housebuilders and developers look to pass on additional building standards costs as well as additional site planning and infrastructure cost requirements. Subsidiaries affected: HLM				Strategic Land forecasts recognise potential decreases in profit per plot although we will look to begin modelling the full financial impact in the next 18 months.

Unmitigated risk Significant risk Elevated risk Low risk

Subsidiary

HBC = Henry Boot Construction
BP = Banner Plant
HLM = Hallam Land Management
SBH = Stonebridge Homes
HBD = Henry Boot Developments
RL = Roadlink (A69)

High emissions scenario: 4°C warming	Transition Risk	Potential financial impact	2030	2040	2050	Response
In this scenario the business is exposed to significant physical risks, both acute and chronic, including exposure to flooding, strong winds and heat stress resulting in damage to assets, prolonged project delivery timescales and more onerous whole-of-life obligations on buildings and assets to ensure materials can withstand temperature extremes.	Extreme weather conditions – Precipitation, flood, wind	Delayed build programmes due to extreme weather events, leading to additional risk/costs. Ground or site conditions/ location is affected by climate events which means that they are no longer viable for their intended use. Subsidiaries affected: **HBC**, **SBH** and **HBD**				Current scheme appraisals make allowance for delays and contractual protections are used where possible. We therefore do not expect any material short term financial losses. In the longer term where the Group is unable to contractually mitigate the risk it could result in margin erosion on schemes although we do not foresee this resulting in scheme losses due to the healthy margins currently achieved.
	Heat stress	Design criteria evolved to combat overheating. Construction site conditions and practices will need to ensure worker health and safety and well-being. Subsidiaries affected: **HBC**, **SBH** and **HBD**				The Group remains mindful to develop sustainable assets and of the health and well-being impact on our people. While some costs will inevitably be passed on to the end user there will also be some financial impact on the Group.
	Flooding	Already a key requirement of planning process. Increased number of flood plains in future may reduce land values Subsidiaries affected: **HLM**, **SBH** and **HBD**				Flood assessments are considered on all schemes with a particular focus on Strategic Land which can be held for longer durations. In the long term we could experience a reduction in the volume of suitable land available leading to reduced margins or the impairment of land values where flooding becomes more prevalent. This is mitigated in the medium term by the suitable strategic land bank we hold in prime locations. We will look to begin modelling the financial impact in the next 18 months.

Identified above are the primary risks to the Group – however, we continue to consider lesser risks which, if they were to increase in either likelihood or impact, would be elevated to primary risks. These include:

- the cost of investing in new technology to monitor our environmental impact;
- cost of capital;
- the valuation impact of environmental factors on investment property; and
- increase in insurance costs.

Unmitigated risk Significant risk Elevated risk Low risk

Subsidiary

HBC = Henry Boot Construction
BP = Banner Plant
HLM = Hallam Land Management
SBH = Stonebridge Homes
HBD = Henry Boot Developments
RL = Roadlink (A69)

Opportunities

Opportunities	Description	Response
Resources	Recruitment of modern thinking and progressive people	The Group's delivery on ESG matters, and in particular climate change, have already impacted the recruitment process with candidates often reflecting on this as a reason they join Henry Boot.
Financial	Availability and cost of capital to the Group	Discussed potential targets with our funders and plan to incorporate climate targets at our next renewal in January 2025 as a means to reduce interest costs.
Market	Green credentials open tendering opportunities Diversified offerings to customers (green products, retrofitting, redevelopment) Increased premium on products	Environmental credentials and reporting have supported numerous bids in the year, in particular our position on public sector framework contracts in the construction segment. This opportunity will be progressed in line with our NZC targets to 2030.
Energy source and usage	Ability to attract tenants Lower operating costs	The Group is progressing multiple developments which are operationally net zero and BREEAM excellent. This opportunity will be progressed as we recycle and develop assets, including the Group's investment property.
Innovation and resilience	Digital transformation	As a Group we continue to invest heavily in digital transformation and systems as we believe this will support efficiency and effectiveness as the Group grows. This is an ongoing opportunity with key system upgrades currently in process.

Strategy

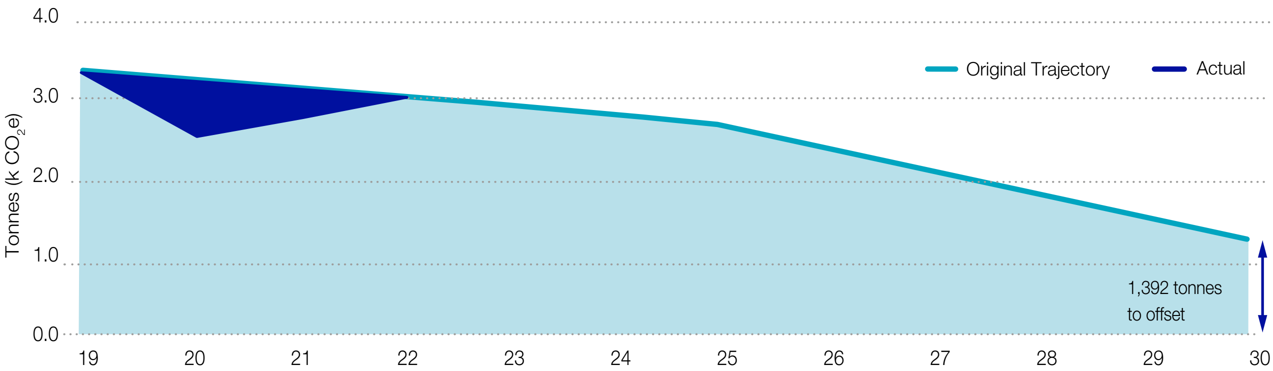
Currently we are in the process of carrying out qualitative scenario modelling work, the results of which are reflected (to the extent carried out) in the risks table set out above. Over the course of the next 18 months we intend to develop this further to encompass quantitative scenario modelling and use this to formulate a transition plan, which will specifically link to each identified risk and opportunity. The transition plan will be discussed with the subsidiary businesses, incorporating any short-term as well as longer-term milestones, preparing for and addressing those medium-term or long-term risks identified above.

Scenario modelling will also include the potential financial impact and will link to any relevant disclosures on this within the financial statements, as well as linking to the relevant risks or opportunities identified. This information will then be crucial for use during the businesses' preparation for its November 2023 Strategy Days, enabling the factors identified to be incorporated within the strategies to be considered by the Board and Executive Committee at that time.

Metrics and Targets

The metrics we currently set relate predominantly to GHG emissions, though we are conscious that additional metrics will be required in relation to climate related risks and opportunities, capital deployment, internal carbon pricing and remuneration. We have a target to reach NZC for all direct (Scope 1 and 2) GHG emissions by 2030. In achieving this target, we are aiming to fully electrify our fleet of vans (and make initial progress in adapting our fleet of heavy goods vehicles), decarbonise operational emissions, and adapt our properties. Our Decarbonisation Trajectory (see below) plots our projected path to achieve NZC.

Carbon Trajectory



	2019	2020	2021	2022	2023	2024	2025	2030
Total direct emissions – scope 1 and 2 (tonnes of CO2e)	3,313	2,562	2,706	2,930				
Carbon reduction plan total direct emissions - scope 1 and 2 (tonnes of CO_2e)	3,313	3,204	3,095	2,985	2,875	2,765	2,653	1,392
Total emissions (tonnes of CO_2e)	4,404	3,357	3,654	3,958				
Total energy consumed – scopes 1, 2 and 3 (MWh)	n/a	11,551	12,600	13,647				

In 2020, the Group worked with external consultants to establish a carbon reduction trajectory. From a 2019 baseline, reductions were forecast based on the Group NZC strategy which included fleet electrification, generator replacement and retrofitting of controlled sites amongst other activities. The trajectory forecast a reduction in direct emissions to 2,653 tonnes by 2025 and to 1,392 tonnes by 2030. The Group is meeting the reduction targets albeit having been largely impacted by the pandemic in 2020. Although our actions in respect of decarbonisation may evolve due to changes in legislation, and technology, we still believe that our 2025 and 2030 targets can be achieved.

As seen below, we saw a moderate increase in our direct GHG emissions in 2022. This is partly due to increased productivity associated with the end of the COVID pandemic restrictions. It has also been exacerbated by a reliance on diesel powered generators for construction operations where it has not been possible to access electricity via a mains supply.

Despite these factors, we are pleased that we have made strong progress in our efforts to decarbonise our operations. Our energy usage decreased by 37% less gas and 9% less electricity used when compared with our 2019 baseline and business travel reduced by 34% (also using a 2019 baseline) as our colleagues adapted to new ways of working (these figures are not inclusive of Stonebridge Homes). We trialled a number of innovative technological solutions (including sustainable site-based generator solutions) which we hope will support a reduction in site based GHG emissions. We remain committed to our decarbonisation targets and are optimistic that we will achieve these.

In addition to our direct emissions, we are committed to reducing our indirect GHG emissions (Scope 3). In 2023, we will be undertaking a project to analyse our indirect emissions ahead of establishing a reduction target and action plan. This target will require significant collaboration with our people, supply chain and customers to ensure we take a collaborative approach to reaching NZC.

In addition to our decarbonisation targets, we have also established a range of additional targets (see page 35) focused on the reduction of waste, water and plastic usage. Utilising circular economy principles, we seek to expand on our strong existing performance to implement commercial processes that utilise resources and avoid creating waste. We are also committed to implementing nature stewardship into our commercial delivery and to innovate and work with key partners to enhance natural habitats and ecosystems in the environments in which we work.

This holistic approach to tackling the impacts of climate change will support our business to adapt to the evolving framework of regulation and stakeholder expectations, and to protect natural capital and reduce environmental damage.

Henry Boot Group CO_2 footprint by source

Henry Boot Group CO_2e emissions	**2022 Tonnes**	2021 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities (Location based)	**2,453**	2,303	Rise
Combustion of fuel and operation of facilities (Market based)	**2,453**	2,303	
Scope 2: Electricity, heat, steam and cooling purchased for own use (Location based)	**477**	403	Rise
Electricity, heat, steam and cooling purchased for own use (Market based)	**–**	–	
Total direct emissions	**2,930**	2,706	Rise
Total direct emissions per employee[1]	**5.5 tonnes CO_2e**	5.5 tonnes CO_2e	No change
Scope 3: Upstream and downstream indirect emissions (Location based)	**1,028**	948	Rise
Upstream and downstream indirect emissions (Market based)	**906**	834	
Total emissions (Location based)	**3,958**	3,654	Rise
Total emissions per employee[1]	**7.4 tonnes CO_2e**	7.4 tonnes CO_2e	No change

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

Carbon Emissions by Segment

Henry Boot Group Energy Usage	**2022 MWh**	2021 MWh	Trend
Total energy consumed (scopes 1, 2 and 3)	**13,647**	12,600	Rise

Henry Boot Group CO_2e emissions	**2022 tonnes of CO_2**	**2022 intensity ratio tonnes of CO_2e**	2021 tonnes of CO_2	2021 intensity ratio tonnes of CO_2e	Intensity basis	Trend of intensity
Property investment and development	**1,089**	**9.29**	757	11.47	per 1,000 sq. ft of investment property with communal areas	Fall
Land development	**33**	**0.94**	35	1.17	per employee	Fall
Construction	**2,740**	**21.12**	2,739	26.68	per £1m of turnover	Fall
Group overheads	**96**	**1.17**	122	1.85	per employee	Fall
Total gross controlled emissions	**3,958**		3,654			

Our carbon emissions for the year ended 31 December 2022 were calculated using the GHG Protocol Corporate Accounting and Reporting Standard, which provides requirements and guidance for companies calculating their GHG emissions and in accordance with the March 2019 BEIS ‘Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance’ and the EMA methodology for SECR Reporting.

Our direct and indirect operational carbon emissions are shown in the tables above. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our financial statements. Overall, the Group’s carbon emissions have increased by 8% when compared with the previous year, although remains comparable on a tonnes per employee basis. When compared to 2019 pre COVID levels the Group has reduced carbon emissions by 10%; this equates to a decrease of 0.7 tonnes per employee.

2 GOVERNANCE

BOARD OF DIRECTORS

PETER MAWSON
Chair

N B R

Date of appointment
October 2015

Independent
Yes

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

Brings to the Board
Key strengths:

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

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

TIM ROBERTS
Chief Executive Officer

B

Date of appointment
January 2020

Independent
No

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

Brings to the Board
Key strengths:

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

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

DARREN LITTLEWOOD
Chief Financial Officer

B

Date of appointment
January 2016

Independent
No

Additional roles held
Director of the Company's six principal operating subsidiaries and Member of the CBI Yorkshire and Humber Regional Council.

Brings to the Board
Key strengths:

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

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

JOANNE LAKE
Senior Independent Director

A R B

Date of appointment
October 2015

Independent
Yes

Additional roles held
Non-executive Chair of Made Tech Group plc, Non-executive Director of Gateley (Holdings) Plc, Non-executive Director of Pollen Street PLC and Non-executive Director of Braemar PLC.

Brings to the Board
Key strengths:

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

Joanne has over 30 years' experience in accountancy and investment banking, including with Panmure Gordon, Evolution Securities, Williams de Broe and Pricewaterhouse. She is a Chartered Accountant and a Fellow of the Chartered Institute for Securities & Investment and of the ICAEW, and is a member of the ICAEW's Corporate Finance Faculty. Joanne became the Senior Independent Director on 26 May 2022.

Key

Committee Membership

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

JAMES SYKES
Non-executive Director

N B

Date of appointment
March 2011

Independent
No

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

Brings to the Board
Key strengths:
- Significant strategic land knowledge
- Sound financial background and experience

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

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

N A R

Date of appointment
October 2015

Independent
Yes

Additional roles held
Non-executive Chairman of Social Communications (Leeds) Limited, Chair of the Morley Town Deal Board and Director of G R Jennings Properties Ltd.

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

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

SERENA LANG
Non-executive Director

N A R B

Date of appointment
August 2022

Independent
Yes

Additional roles held
Chairman of Eleco plc and Non-executive Director of Ainscough Crane Hire Ltd.

Brings to the Board
Key strengths:
- Extensive strategic leadership, growth and digital transformation experience
- Experience in industrial, engineering and construction environments and culturally diverse markets
- Strong sustainability credentials, specifically in the Built Environment
- Diversity of thought to the Board having worked across multiple industries

Prior to joining Eleco plc in 2014, she previously held executive roles as Enterprise Client Executive at Invensys (now Schneider Electric), Global VP of Transformation at BP plc and as an Executive Consultant at Capgemini Ernst & Young.

AMY STANBRIDGE
General Counsel and Company Secretary

Date of appointment
October 2018

Independent
No

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

Brings to the Board
Key strengths:
- Significant legal, compliance, regulatory and corporate governance experience
- Robust knowledge of all aspects of commercial law and practice

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

EXECUTIVE COMMITTEE

NICK DUCKWORTH
Hallam Land Management Limited

Date of appointment
Managing Director in 2016

Brings to the Executive Committee
Nick Duckworth MRTPI began his career in a private sector planning consultancy, Phillips Planning Services, in 1990. He left there in late 1992 and joined Hallam Land's then newly established Northampton office. In 1997, Nick set up the South West office of Hallam Land in Bristol and became the Regional Manager. He was appointed a Director in 2002 and became Managing Director in 2016.

EDWARD HUTCHINSON
Henry Boot Developments Limited

Date of appointment
Managing Director in 2018

Brings to the Executive Committee
Edward Hutchinson BSc (Hons), MRICS started his career in quantity surveying before quickly progressing into project management. He joined Henry Boot Developments in 2004 as a Project Manager rapidly rising to the position of Senior Project Manager in 2006. Edward was appointed a Director in 2012 and became Managing Director in 2018. In January 2021, he became a board member of the Yorkshire Board of LandAid, following which he assumed the position of Chair in January 2023.

TONY SHAW
Henry Boot Construction Limited

Date of appointment
Managing Director in 2021

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

JONATHAN FISHER
Banner Plant Limited

Date of appointment
Managing Director in 2021

Brings to the Executive Committee
Jonathan Fisher joined the Henry Boot Group in 2021, bringing with him extensive experience in hospitality and facilities management. He began his career as a General Manager with Whitbread before transitioning into sales and management within facilities management. At the Algeco Group, Jonathan worked as an Account Director before being promoted to Regional Director, overseeing four production facilities. He also served as UK Sales Director before becoming Managing Director at Banner Plant. In addition to his professional achievements, Jonathan is a foundation governor at his local high school.

DARREN STUBBS
Stonebridge Homes Limited

RACHEL WHITE
Henry Boot PLC

Date of appointment
Chief Executive in 2010

Brings to the Executive Committee
Darren Stubbs has a wealth of experience in the housebuilding industry and a proven track record in delivering successful housing developments, spanning a 39-year career. Darren founded Stonebridge Homes in 2010, a jointly-owned company with Henry Boot PLC. Darren is the Chairman of The Yorkshire Children's Charity and Vice Chair of Zarach, a charity who provide beds to children living in poverty.

Date of appointment
HR Director in 2022

Brings to the Executive Committee
Rachel White joined Henry Boot PLC in 2001 as a graduate. She has held a number of roles in the HR team, before taking the role of HR Director in July 2022. Rachel leads the delivery of our People Strategy to meet the requirements of our internal stakeholders including employee relations, succession planning, talent management, diversity and inclusion, wellbeing, reward and recognition, employee benefits and employee engagement.

Rachel is also a Trustee Director for Henry Boot Pension Trustees Limited and is a member of the Governance Committee for the Henry Boot PLC Group Stakeholder Pension Plan. In 2022, Rachel became a Trustee of The Children's Hospital Charity and is also a volunteer befriender to lonely older people through b:Friend.

Additional Executive Committee Members

TIM ROBERTS
Chief Executive Officer

DARREN LITTLEWOOD
Chief Financial Officer

AMY STANBRIDGE
General Counsel and Company Secretary

CHAIR'S INTRODUCTION

Dear Shareholders,

This year has seen quite a change for us as a Board, most significantly with the retirement of Jamie Boot as our Chairman, my appointment to the role and the recruitment of a new Non-executive Director, Serena Lang. This represents a substantial shift for the Board, with us reflecting on the loss of Jamie's many years of experience and expertise in navigating the challenges faced by the business during his tenure, and we wish Jamie all the best in his well-deserved retirement. It has also presented us with the scope to progress our succession planning approach, and I am naturally delighted to have been given the opportunity to step into the role as the Chair. It is my intention to ensure that we carry on the great work we have had underway for many years under Jamie's direction in our approach to governance, and also make further progress on our journey towards greater diversity and inclusion throughout the business, whilst strengthening our succession and leadership support. We wholeheartedly welcome Serena to her position on the Board and also, from the beginning of 2023, as the Chair of the Responsible Business Committee, an area in which she brings a wealth of knowledge and expertise.

During 2022 we further developed our methodology for strategic planning and, during a year in which there has been a substantial degree of turbulence, this tested our adaptability to not only weather this challenging time to come but also used it as an opportunity to reflect on areas of the business in which we can progress some material programmes of modernisation. I believe this is a testament to how robust and aspirational our ambitions are. This is something that we have debated thoroughly as a Board and I am confident that, with the enhanced Executive Committee support and input that we now receive, we are set up well to move forwards.

Succession Planning and Diversity

As a Board, we have been carefully thinking about our wider succession planning approach and how we ensure a diverse representation of views on our Board, which you can read about in more detail in the Nomination Committee Report on pages 104 to 110. Further work on our recruitment ambitions will be delivered during 2023 and 2024, which I believe will bolster the resilience and expertise of the Board and we are mindful that whilst doing so we want to maintain the excellent working relationships we have always enjoyed as a team. To facilitate our future approach to recruitment, we have also rethought the ways in which we analyse the skills and expertise of our wider senior leadership team, which you can read more about on pages 107 to 108.

Strategy

The Company continues to enhance its methods of reviewing Company strategy, holding our Strategy Days in November 2022. We were not only joined by the Executive Committee but a range of other senior leaders from within the business, who presented on and debated key aspects of both subsidiary and the wider Group approach on issues such as people, marketing and IT. By restructuring these discussions, the Board had the ability to obtain greater insight of these key areas and fully analyse our resilience, ambition and focus. Whilst the main strategic direction of the Group has not changed, by being able to discuss issues directly with a range of senior leaders, it also gave a great opportunity to us to interact more widely and gave visibility to important members of the wider leadership team. More details on this can be found on page 91.

Leadership Development and Oversight

In a number of areas this year, the Board has overseen initiatives intended to reshape our approach to reward and recognition, leadership development and broader succession issues. The launch by the Group of an overarching Reward Strategy has been a major move forwards for us. Ensuring that this compliments the existing Remuneration Policy, as well as being rolled out thoughtfully, this has been overseen by the Board and Remuneration Committee. Thinking about how we communicate programmes such as this also touches on how we bring our leaders along with us on important initiatives and we have overseen a programme of development activity for our Executive Committee, as well as some other senior leadership upskilling sessions, to support this. The next phase of our leadership development is Aspire, our Management Development Programme, will launch in early 2023 and alongside this we are reviewing wider succession plans and talent grids to ensure that the oversight of this area is robust.

Responsible Business

Delivering on our Responsible Business goals remains a key focus for the Board and, as well as embedding our Responsible Business Committee activity in 2022, we welcomed a range of guest speakers to help us develop our thinking on key topics. Areas developed this year included our climate change framework, health and wellbeing approach as well as volunteering and charitable giving. You can read more about this in detail on pages 116 to 119. In addition, to strengthen our governance in this area, an ESG Steering Group, which feeds into the Responsible Business Committee, was formed. I look forward to working closely with Serena Lang as she assumes the role as the Chair of the Responsible Business Committee to continue refining its operations and ensuring that we support the business with its ambitions in this area.

The following report sets out our structure, governance processes and key activities undertaken by the Board and its Committees during 2022. We welcome feedback from our stakeholders and I would encourage you to get in touch with us on any governance matters. I hope to see many of you at our AGM on 25 May 2023 (see page 208 for full details).

PETER MAWSON
CHAIR

12 April 2023

Code Compliance

During 2022 the Board and its Committees have continued to keep their focus on ensuring wherever possible that compliance with the Code can be achieved, improving its operations and governance. This is demonstrated throughout this Corporate Governance Report and of particular note are the Code principles below with references to further detail as applicable.

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

Division and responsibilities	Read more on pages 87 to 89
Board leadership and Company purpose	Read more on pages 90 to 98
Composition, success and evaluation	Read more on pages 99 to 110
Audit, risk and internal control	Read more on pages 111 to 114
Remuneration	Read more on pages 120 to 135

"I am delighted to have stepped into the role as Chair during 2022 and am confident about the direction of the Group, its resilience, ambition and focus, strengthened by our approach to governance."

GOVERNANCE AT A GLANCE

HIGHLIGHTS

Promoting long-term success

- Against an uncertain economic backdrop, the Board has remained purposefully selective on new projects, with gearing remaining low at 12.3% (2021: 11.4%), allowing the Group to react to any opportunities available in the market.
- Key themes and actions arising from the Strategy Days in November centred around long-term vision and maintaining strategic ambition. This included the pursuit of high-quality projects, improving business processes, investment in technology and nurturing future talent.

Read more on page 91

"We have confidence in the long-term fundamentals of our markets, business model and have the operational and financial resources to continue to meet our strategic growth and return objectives."

Tim Roberts

Responsible Business

- Recognising the rising pressures on the cost of living, the Board approved a £1,000 one-off payment in September 2022 for those in the lower paid grades 6-9 and we offered financial coaching to all our people. Alongside this, we also increased our community support through volunteering and donations to local food banks.
- ESG targets from the Responsible Business Strategy relating to scope 1 and 2 GHG emission reductions and improving gender balance across the Group have been introduced into the LTIPs for the Executive Directors and senior management. ESG-related objectives have already been incorporated into the Annual Bonus plan.
- Strong performance made against the Responsible Business Strategy medium-term targets for 2025.

Read more on pages 116 to 119

£1,000 Cost of Living payment made to 67% of the workforce in September 2022.

Board Succession

- A wholesale review of the skills matrix was undertaken at the end of 2022 as we look ahead to future Non-executive Director appointments and consider the future skills needed to maintain long-term success. For the first time, the Executive Committee members were included in the review to provide a wider coverage of the skills set available across the top layers of the Company.
- Serena Lang joined the Board in August 2022 and underwent a thorough and tailored induction programme, meeting all the Executive Committee members, the Chair of the Group Employee Forum and other key senior managers. She also undertook several site visits including Henry Boot Construction's Cocoa Works re-development in York and several Stonebridge Homes sites in Harrogate meeting employees and other stakeholders.
- The Nomination Committee updated the Board Diversity Policy to increase our target for female representation on the Board from 33% to 40%.

Read more on pages 104 to 110

As part of his transition into the Chair role, Peter Mawson has held 14 'Meet the Team' sessions across 10 office locations, and visited 7 plant hire depots and 8 project sites.

Stakeholder Engagement

- 2022 has seen increased engagement between the Board and the workforce on a number of matters. Board members attended the town hall meeting to discuss a potential move away from the existing head office and received all consultation feedback from employees before coming to a decision to relocate to Sheffield city centre. Regular feedback has been sought to gauge sentiment on the implementation of the workforce reward strategy and the new personal development review process.
- The Board met with the Group Employee Forum (GEF) in March and September. Gerald Jennings, who attends all the GEF meetings, provides updates to the Board on any key issues and ensures that there is a two-way dialogue between the two groups.
- Customers were identified as a stakeholder group that the Board wanted increased oversight of. New customer plans have been developed for each business and updates will be provided on a more regular basis at Board meetings.

Read more on pages 59 to 60

An improved customer insight programme will be rolled out during 2023 with increased reporting to the Board on customer feedback and priorities.

CORPORATE GOVERNANCE REPORT

DIVISION OF RESPONSIBILITIES

UK Corporate Governance Code 2018

The Board is committed to achieving high governance standards and following best practice. Where we do not strictly follow the Code, considerable thought is given to ensuring that our approach aligns with the spirit of good governance, helps to promote high ethical standards and sustains the success of the Company over the long term.

For this financial year, as a premium listed company, the Company was subject to compliance with the UK Corporate Governance Code 2018 (Code). Further details of how the Code has been applied are set out throughout this Corporate Governance section and a statement of Code compliance is presented on page 118.

The Board

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 80 and 81. Jamie Boot resigned as a Director and Chair on 26 May 2022, with Peter Mawson stepping into the Chair role. Serena Lang joined the Board as Non-executive Director on 1 August 2022. Biographies for each Director are shown on page 80 to 81 and roles and responsibilities can be viewed on the website.

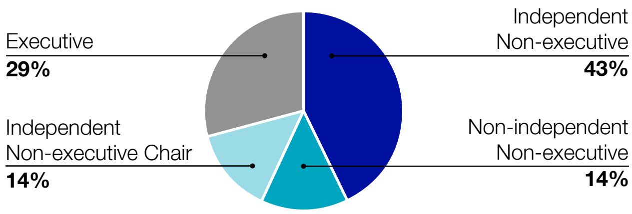
	Meetings attended	Eligible meetings
Peter Mawson **Non-executive Director**	8	8
Tim Roberts **Chief Executive Officer**	8	8
Darren Littlewood **Chief Financial Officer**	8	8
Joanne Lake **Senior Independent Director**	8	8
James Sykes **Non-executive Director**	8	8
Gerald Jennings **Non-executive Director**	8	8
Serena Lang **Non-executive Director**	2	2
Jamie Boot **Non-executive Director**	4	4

Meetings attended   Eligible meetings

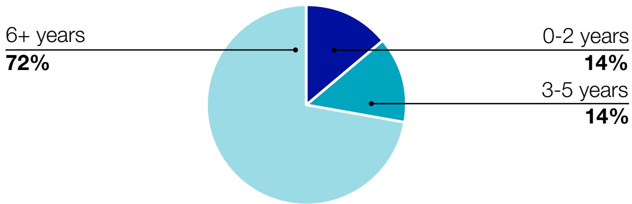
Throughout the year there have been six scheduled Board meetings attended by all Directors, and two separate Board meetings to approve one-off, urgent matters. In addition to the formal Board meetings, two Strategy Days were held in November with a selection of sessions attended by the Executive Committee and senior management.

The number of Committee meetings are reported in each Committee report.

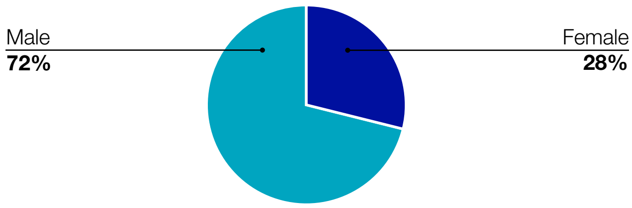
Board composition



Board tenure



Board gender



Board composition and independence

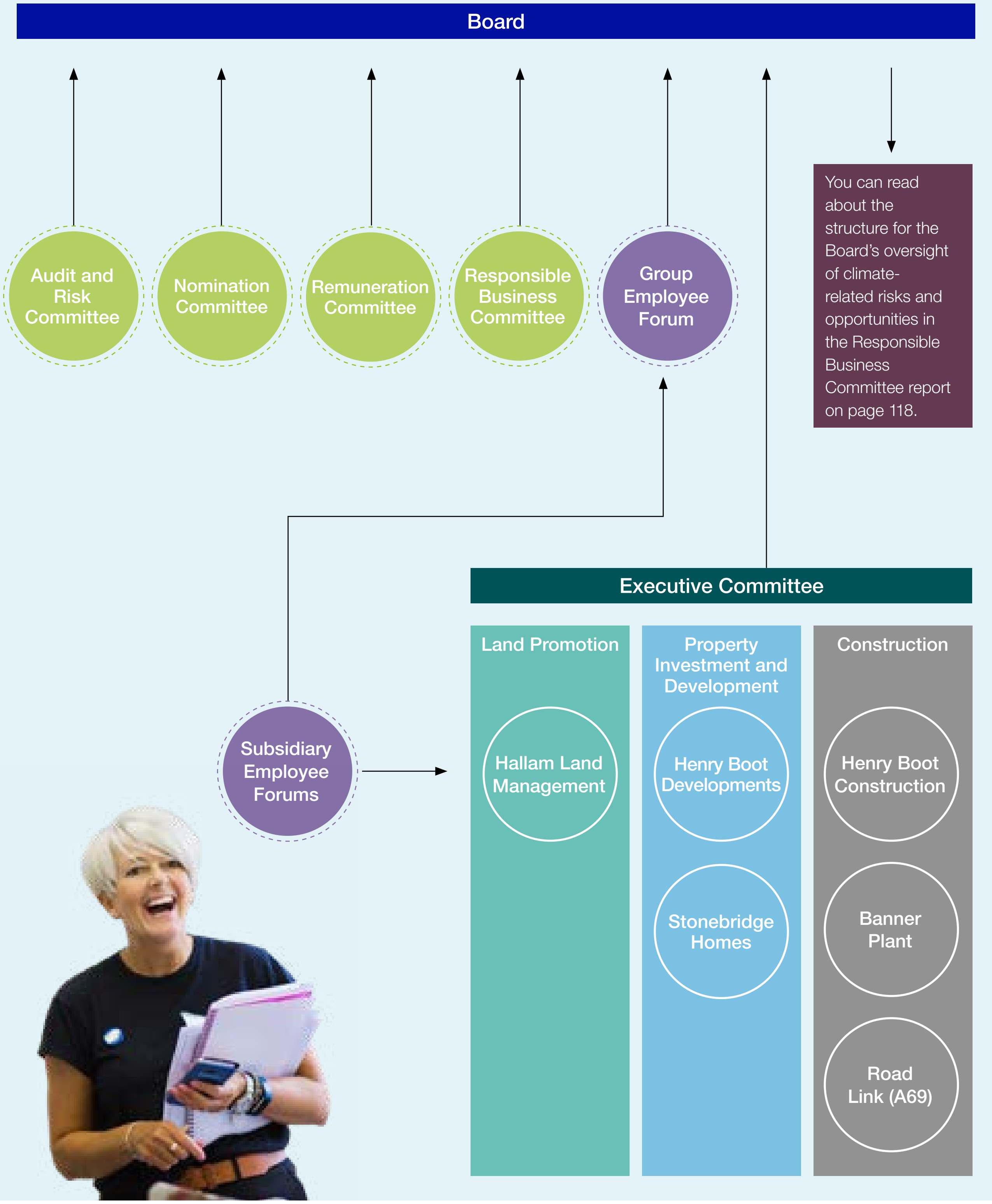
The governance structures in place are designed to reflect the individuality of the Company and the composition of both its institutional shareholders and individual shareholders, many of whom have family ties to the Company. James Sykes is classed as non-independent, having been appointed to represent the substantial shareholdings of the Reis family interests (see page 139).

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

CORPORATE GOVERNANCE REPORT

DIVISION OF RESPONSIBILITIES

Governance framework



Key features

Board	• The Board maintains a formal schedule of matters reserved for its decision that cannot be delegated elsewhere (available to view on the website) • This schedule is reviewed at least annually and includes: – establishing long-term strategy and objectives – overseeing culture and stakeholder engagement – approval of annual budgets, financial results and the dividend policy – approval of capital expenditure above an agreed amount – the determination and monitoring of the Company's principal and emerging risks including the effectiveness of internal controls • When matters require Board approval, management is required to present a detailed paper which includes any input or feedback received from stakeholders, assessment of key risks and how the matter links to Group strategy
Board Committees	• Delegated authority from the Board to look after specific areas of responsibility • Each Committee operates under its own written Terms of Reference which are reviewed at least annually and are available on the website • Report to the Board and work alongside the other Committees eg the Responsible Business Committee works alongside the Audit and Risk Committee to fully consider the TCFD reporting requirements • Responsible Business Committee formed in 2021 – see page 116 for more information • Have access to external consultants where necessary • See pages 104 to 135 for more information on the work of each Committee
Executive Committee	• Members are set out on pages 82 to 83 • Re-formed in December 2020, the Board has reviewed and approved their updated Terms of Reference and delegated levels of authority • Meets ten times a year to debate strategic issues that affect the Group, to collaborate and share best practice and make recommendations to the Board • Appointments to the Executive Committee are overseen by the Nomination Committee and the Board. Members of the Executive Committee attend the Board meetings regularly and are part of the Board Strategy Days.
Subsidiary Boards	• Day-to-day operational management of the subsidiary companies sits with their respective boards and MDs • The CEO and CFO sit on all the principal subsidiary company boards • The MDs are invited to attend the Strategy Days and the Board meetings on a rotational basis to discuss business plans and strategy

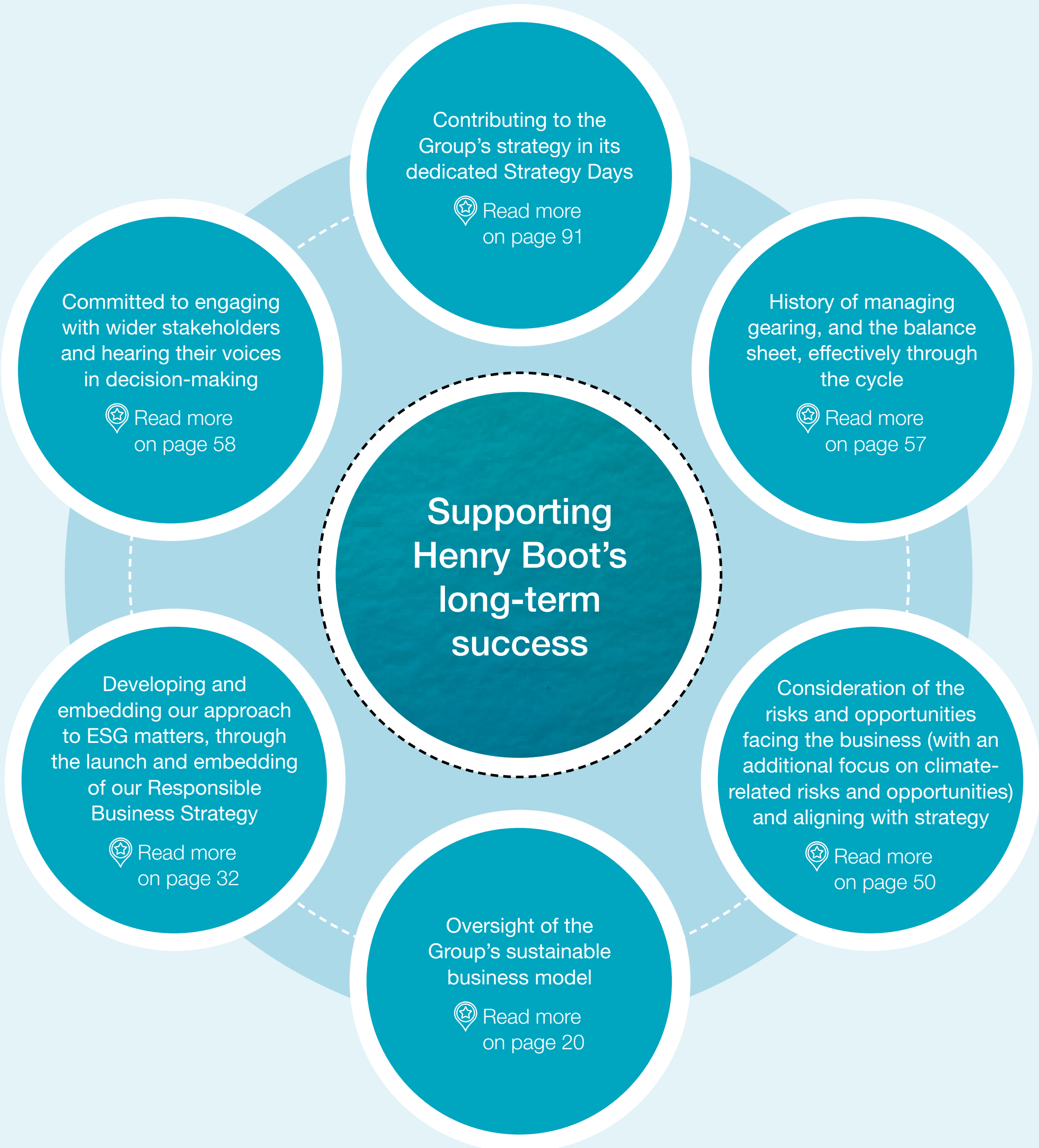
CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

Enabling long-term sustainable success

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

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



Board Leadership and Company Purpose

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

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

Area	Stakeholders considered	Link to Strategy	What was reviewed and considered?
Contributing to the Group's Strategy Days	Sh E Cu	Growth, Delivery, People	The Board held a productive session over two days joined by the Executive Committee and other senior management. Strategies for each of the subsidiary businesses were debated with a renewed focus on the types of opportunities we want to pursue and how to build upon existing relationships with customers. Alongside this, time was dedicated to ensuring that the strategies for some of the central support functions (IT, Marketing and People) were aligned and able to help the businesses deliver their long-term ambitions. The key themes, actions and decisions from the sessions were captured, shared with senior management and will be regularly reviewed.
History of managing gearing and the balance sheet effectively through the cycle	E Cu S Sh Co En	Growth, Delivery	Throughout our 135-year history, Henry Boot has successfully navigated its way through many economic crises and cyclical downturns thanks to its sustainable business model. The Board monitors the level of gearing at every meeting ensuring that it remains within the agreed target range. More than ever, the Board has considered how best to employ capital to maximise returns and make progress against the agreed strategic objectives. Before coming to any investment decision, the Board considers gearing, the Group's positioning in each of its key three markets and the level of risk involved.
Consideration of the risk facing the businesses	E Cu Sh S	Growth, Delivery, Safety, People	The Audit and Risk Committee and the Board review the Group's principal and emerging risks twice a year (see pages 50 to 56 for more information) but given the level of uncertainty in the market, the Board has taken a heightened approach to risk management. At the start of the year, the Board concentrated specifically on the risks posed to the business from the war in Ukraine and the measures that had been put in place to mitigate them, such as having 97% of the committed development programme as fixed cost. Risks relating to individual investment decisions are considered in detail before approval, particularly for speculative schemes where the Board actively manages the amount of speculative vs pre-sold or pre-let projects within the committed development programme.
Overseeing the health and safety arrangements in place	E S En Co Cu	Safety, People	As one of Henry Boot's core strategic objectives, safety remains a key priority at Board level. Health and Safety KPIs are discussed at every Board meeting alongside reporting on accidents and near misses. The Group Health & Safety Manager meets with the Board to present the annual Health and Safety reports for each of the principal businesses and outlines his recommendations for improvement.
Commitment to development and increasing our knowledge of the business and culture	E Cu S Sh En	Growth, Delivery, Safety, People	In October, the Board held an interactive session with the Vice Chair of the TCFD to discuss his role on the TCFD steering group and good practice around reporting. Other development opportunities during 2022 included a discussion with a Sustainability Lead from Natwest Bank who specialised in the real estate and housing sector to explore key themes and trends and also a refresher course on Directors' statutory duties. An extensive programme of training and development has been prepared for 2023 with a focus on the ESG agenda. On an operational level during 2022, the Board visited the Setl and Neighbourhood sites in Birmingham, Phoenix 10 in Walsall and New Horizon in Nottingham. Informal lunches have been held with various teams and offices following Board meetings and most Non-executive Directors have also attended a sample of subsidiary board meetings across the 12 months providing opportunities to engage with talent throughout the organisation and give an insight into culture and health and safety practices.

Group strategic priorities

Safety People Growth Delivery

Stakeholders

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

CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

Our Culture

The Henry Boot Group adopted its Purpose, Vision and Values in 2017 after extensive work had been carried out through numerous Group employee engagements – this is referred to as the 'Henry Boot Way'. By approaching the definition of our culture in this way, we ensured that we could capture the thoughts of employees through a 'bottom-up' approach and articulated a culture that reflected all. Since then, we have been on a journey to reflect the Henry Boot Way throughout our business, and it remains a key element in our Group strategy. The Board recognises that not only does it have a key role to play in living the Values itself, but also the need to ensure that the overall culture of the Group is embedded within its strategy and general approach to business. Over the course of 2023 and 2024, the Board along with the Executive Committee will be looking again at culture, how it is understood throughout the business and how it is monitored, alongside work on the brand value proposition and employee value proposition, which will be reported on in subsequent years.

How the Board monitored culture in 2022

	Action	Link to culture, and effectiveness of engagement method	Values upheld or impacted	Outcomes, development of culture and addressing culture issues
Engagement surveys	The cycle of undertaking and reflecting on the outcomes of the main employee survey has now become well established by the Board, Executive Committee and subsidiary boards. To continue the process adopted in 2021, the Group Employee Forum (GEF) was asked to reflect on some of the areas identified as requiring further focus within the survey results, and attended a Board meeting to discuss their views and proposals for addressing the issues raised. During 2022 and in support of our revised Reward Strategy, we also engaged with our people to establish the value they placed on the various employment benefits offered by the Group and to establish if there were any gaps in our offer.	The outcomes of an engagement survey which can build a picture year on year regarding the shift of attitude by employees relating to culture are essential. It gives a good baseline for the Board to measure against, and as a method of engagement it ensures that it reaches all areas of the Group. In addition, being able to hear directly from GEF members on issues that impact them and their areas of the business enables the Board to understand directly whether those employees feel that the culture of the business is being upheld, and where it is not, what employees feel could be done to address this. During the cost of living crisis our people are looking to the Group for guidance and support more than ever in different ways, by engaging with our people to provide valued benefits we hope to have alleviated some of the pressure being felt.	**Loyalty** **Integrity** **Collaboration**	The Board reviewed the survey outcome as a whole and through the direct engagement with the GEF, focussed on areas that had not scored as well within the survey, such as ability to balance work with home life, and switch off from work. The Board and Responsible Business Committee have incorporated these suggestions within the Health and Wellbeing Strategy, launched in early 2023. We continue to say that our people are our greatest asset, and at times of challenge, we can provide stability and support in various guises. This goes to the heart of the culture of the Group, that we are nothing without the people who make our business a success.
Health and Wellbeing	The Health and Wellbeing Strategy, and the work that has been done to produce this (including substantial input by the Group Employee Forum) and launch it, is covered in more detail on page 65	The formulation of the Health and Wellbeing Strategy reflects the outcomes of our engagement surveys and issues that have particularly resonated with our employees, as set out above. Engagement methods in developing our Strategy included: – GEF reflection and Board presentations (see more on page 96) – Health and Wellbeing Working Group – HR Management team – A range of other internal engagements	**Respect** **Adaptability** **Integrity**	The Health and Wellbeing Strategy discussed above aims to develop our culture as a progressive and proactive, supportive employer of choice.

BOARD LEADERSHIP AND COMPANY PURPOSE

	Action	Link to culture, and effectiveness of engagement method	Values upheld or impacted	Outcomes, development of culture and addressing culture issues
Employee forum	As well as the direct Board interaction outlined above, and as described on page 96, linkage to the Board is provided by the designated Non-executive Director appointed to liaise with the GEF, so that the entire Board can benefit from hearing the feedback and respond to issues as necessary.	The Group and Subsidiary Employee Forums provide a key method of employee engagement on several issues including cultural matters and perceptions throughout the Group. The designated NED feeds back on issues discussed by the GEF at every Board meeting, to ensure that relevant issues are taken into account in decision-making as well as the general view across the Group on matters impacting on culture. Bringing together interested members of the Group, who can speak directly to the designated NED, means that a cross section of views from around the Group can be heard.	**Collaboration** **Respect**	The Board, represented by the designated NED, attended all GEF meetings in the year and provided insight to the GEF around several matters, including the socialisation of our new reward strategy for our people. Other NEDs and the Executive Directors have also attended the GEF by invitation where relevant to the agenda. Views of the GEF have been taken into account when discussing those issues at the Board, as reported in more detail on pages 96 to 97.
Whistleblowing response	In 2022, a whistleblowing report was received in respect of cultural issues within Henry Boot Construction, in particular in relation to the position of and working practices impacting women within the business.	Following receipt of the whistleblowing report, immediate action was taken by the CEO supported by the HR Director to implement an investigation into the allegations made. This was overseen by a director from one of our other subsidiaries, and took the form of interviews and data gathering to create a robust assessment. The report was shared and accepted by the board of HBC and formed a basis on which a cultural action plan has been developed and is being implemented during 2023.	**Integrity** **Loyalty** **Respect**	We have always encouraged our people to speak up if there is something that is causing concern, recognising that this may not always be possible through overt routes, so a whistleblowing line is in place for those times where a direct report might not be possible. Our ongoing engagement with our people through various routes means that the use of our whistleblowing line is minimal and that any perceived issues can be dealt with openly. This matter has also received Board oversight and guidance to the subsidiary affected, ensuring that the culture issues identified are addressed.

	Action	Link to culture, and effectiveness of engagement method	Values upheld or impacted	Outcomes, development of culture and addressing culture issues
Head office proposals	As explored in detail within our section 172 statement on pages 58 to 61, the broad and deep consultation process undertaken as part of the Board's decision to relocate its head office in Sheffield resulted in a number of engagements across the Group.	A number of methods of communication and feedback were employed during the consultation exercise on the proposed head office move, such as: – Webinars – Town hall meetings – Feedback channels via both email and confidential portals – The establishment of Group-wide Working Groups on particular areas of interest Further outlines of these methods of engagement are contained at page 61	**Adaptability** **Delivery**	In order to take our people with us on this change journey, we adopted a structure of Working Groups to focus on specific aspects of the project which were highlighted by our people as being important to them, with a remit to develop their thinking into broader Group wide policies. It was therefore key that there was cross Group representation on these working groups, who feedback their views into the project Steering Group, Executive Committee and the Board to shape the ultimate proposals. We are immensely proud of our culture and our heritage, it was therefore fitting that these two aspects were the sole focus of one of the Working Groups.
Strategy Days	The Group's People Strategy, alongside the wider strategy of the operational businesses, was discussed at the 2022 Strategy Days with the Board and Executive Committee.	The culture of the business and how this can be influenced by the senior leadership teams, including the Board, was a key part of the People Strategy and also an underlying element of the Marketing and Communications Strategy, focusing on the offer to our people through its employee value proposition.	**Delivery** **Integrity**	The Board and Executive Committee recognise that culture is the key to success, and that without a positive and engaging culture even the best formulated strategies will struggle. We have placed our people at the heart of all we do and therefore the focus that the Board and Executive Committee are giving to the People Strategy as a key lever of change and also a shared priority will be more meaningful to our wider internal stakeholders.
Responsible Business Committee	The Responsible Business Committee (see page 116 for the work of the Committee during the year) is a further strand of connection to the wider workforce as well as to the Group's customers, suppliers, professional service providers, professional associations and community, charity and education partners.	The Committee focusses on a number of issues that relate to culture in practice across the Group, and how the culture of the business is also perceived by external stakeholders and as employees, as well as the embedding of the Values within our Responsible Business Strategy.	**Respect** **Integrity** **Delivery**	The view of employees and external stakeholders influenced the shaping of a number of policies and strategies supporting the delivery of our overall Responsible Business Strategy, including elements such as health and wellbeing (as discussed above), EDI Strategy, charitable giving, community partnerships and volunteering. These are intrinsic to delivering the established culture of Henry Boot as a business that cares about its links with the wider community and its people.

CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

Employee Engagement

As we often state, Henry Boot's greatest assets are its people and as such are a key focus across the organisation, including at Board level, to ensure that employee views are being taken into account. The Board has established two key methods of direct Board employee engagement, also demonstrating compliance with Provision 5 of the Code:

- the founding of a network of employee forums across the Group; and
- the appointment of a designated Non-executive Director of the Board to liaise with the Group Employee Forum.

In addition, there are a number of ways that employee engagement is addressed in our Responsible Business report on page 117, and in this section, we outline the ways in which that engagement has specifically taken place with the Board.

Employee forum

Our Group and subsidiary Employee Forums, launched in 2019 and have continued to meet to discuss a range of key Group issues during 2022. Each main wholly-owned subsidiary (and Henry Boot PLC) have their own 'Subsidiary Employee Forum' (SEF), the Chair of each of which meets to form the 'Group Employee Forum' (GEF).

The Group is constantly looking to develop and strengthen its approach to employee engagement, and recognises the Employee Forums as a pivotal route to hearing the voice of employees. Subsidiary Employee Forums have been asked to strengthen their offering in a number of ways, by recruiting new members, and refreshing those holding the role as Chair of each SEF. SEF Chairs have also appointed a Deputy Chair, who has been able to shadow them at certain meetings, and have been invited to subsidiary board meetings to represent their views directly to their respective boards. The GEF has worked with the Marketing and Communications team to ensure that the outcomes of their work and engagements are more widely publicised to the Group.

Outcomes

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

What employees requested or were consulted on	Method and outline of engagement	How the Board responded
Employee engagement survey results	As referred to in Our Culture (page 92), in 2022 the GEF were tasked by the PLC Board to undertake a research project focused on the lowest scoring questions in the 2021 Employee Engagement Survey. These were: "I am able to quickly switch off and reenergise when not at work" and "Over the last 12 months my workload has felt manageable." As an increased workload is likely to result in an inability to switch-off from work, they decided to address both topics together under a "wellbeing" umbrella. The GEF undertook extensive engagement with people from across each of the subsidiary businesses and shared their proposals with the Board in September 2022.	The outcomes of the GEF's work consolidated the responses into a series of proposals including: • The provision of guidance and training for line managers on how to manage agile working and working from home • Raising awareness of the need for individuals to create self-imposed boundaries between work and home, including rest breaks • Providing education around available technology • Reviewing resourcing levels in locations that had an upturn in turnover. Following their initial presentation to the Board, their proposals were incorporated into the Health and Wellbeing Strategy considered by the Executive Committee and Responsible Business Committee, detailed further in the Responsible Business Committee Report on pages 116 to 119.

What employees requested or were consulted on	Method and outline of engagement	How the Board responded
Reward strategy	As outlined in our 2021 Report, the GEF were instrumental in bringing forward priorities in relation to transparency in reward and also promotion and performance management. Throughout the latter part of 2021 and into early 2022 the Executive Committee, with external guidance and internal resource, worked collaboratively to create a Reward Strategy that would be relevant to all our subsidiaries despite their market differences. Our people, through the GEF and other networks, were consulted and involved in the development of several key aspects of the Reward Strategy and the subsequent roll out. This has been undertaken on a phased basis to ensure adequate socialisation of what is a significant step for the Group towards total reward transparency.	The Board and management through the Executive Committee supported the development of a significantly different approach to reward in the Group. Engagement with the GEF will continue in order to refine and add to the communication as we continue with our journey towards reward transparency.
Head office relocation	Following the decision to relocate our Head Office, the Group consulted widely with all those individuals directly affected by the decision to allow the dialogue to be relevant and also to take into account the views of our people. The formation of several Working Groups which included colleagues from other parts of the Group not directly affected by the decision has been of importance to ensure that the cultural shift that will ensue from the relocation (agile working, collaboration, more visibility) is not just limited to those in the Isaacs Building but also has influence Group wide and informs Group protocols. Due to the expansive nature of this remit, the GEF has been engaged in the process albeit on a more peripheral basis than other projects. More detail on this can be found on page 61.	The Board and management, through regular updates from the Isaacs Steering Group, have had oversight of the direction of travel being proposed on a number of key initiatives. Through extensive consultation, which has included externally supported stakeholder interviews with the design team, it is anticipated that the move to Isaacs Building will be pivotal to the next phases of our modernisation and transformation agenda.
Induction	Our Group induction programme was relaunched in 2022 for the first time since the Covid pandemic. An initial proposal was shared with the GEF for feedback from our people before a final solution was delivered. The first in-person session was piloted in November 2022. Feedback from participants and stakeholders was positive, highlighting the collaboration and networking benefits, plus opportunities to learn about other subsidiaries, with minimal enhancements required. Phase two is underway with an eLearning module created to give the history of the Group and services offered by subsidiaries, allowing the in-person event to focus on the here and now. While the eLearning module content will remain stable, we expect the in-person event to continuously be updated to reflect participant feedback and changing projects.	Engagement with the GEF in relation to induction and onboarding will continue in order to refine and ensure relevance of the programme.

CORPORATE GOVERNANCE REPORT

CASE STUDY

Peter Mawson – Chair engagement visits

Since his appointment as the Chair in May 2022, Peter has undertaken a programme of visits and engagements with employees across the Group, a summary of these are set out below:

Banner Plant

- Visits from June 2022 into 2023 to: Leicester Plant depot; Rotherham Access & Tools depot; Derby Plant & Tool Hire depot; Leeds Tool Hire depot; Leicester Tool Hire depot; and Chesterfield Tool Hire depot. Also carried out a 'Meet the Team' event at the Dronfield Headquarters, Plant Depot & Accommodation Depot in October 2022.

Hallam Land Management

- Visits to Northampton team and Bristol team in June/July 2022 followed by local site visits. Leeds team engagement in August 2022, as well as with the management team in Sheffield and the London and Glasgow teams in November 2022.

Henry Boot Construction

- Site visits to Block H, Block G & Kangaroo Works in Sheffield in July 2022, to Cocoa Works in York in August 2022, and a 'Meet the Team' at the Dronfield Headquarters in October 2022.

PLC

- 'Meet the Team' events from July to September 2022, including: finance team; legal, company secretarial and insurance teams; HR team; IT department and Responsible Business Manager.

Stonebridge Homes

- Meetings with various leaders within the business from August to November 2022.

HBD

- 'Meet the Team' events in Leeds in August 2022, and in Manchester, Glasgow and London offices in November 2022, as well as the management team in Sheffield.

Roadlink

- Visit to the Road Link team at Stocksfield in August 2022.

This has enabled Peter to hold one-to-one meetings with teams and individuals across the business, to provide visibility of his role as Chair and to get to know as many of our people as possible, facilitating meaningful discussions on issues relevant to each of the businesses.

"It was really important to me that, having become the Chair, I was able to commit time to have some quality discussions with our people across the businesses, to introduce myself and get to know people on a personal level. I believe this helps to open up vital conversations and enable me to also get to know what the priorities are for our Group, and how I can help to facilitate these."

Peter Mawson, Chair

Q&A WITH RECENTLY JOINED GEF MEMBERS

Matt Pruce, the Chair of the Hallam Land Management SEF, is a Senior Development Planner. Lee Pratt is the Depot Manager of Banner Plant's Leicester Depot, and Chair of the Banner Plant SEF. As both of them have joined the Group Employee Forum within the past 18 months, we asked them for their views on their roles on the GEF.

Q: How have you found it being part of the GEF this year?
Lee: I have really enjoyed it. I joined the GEF as Chair in December 2021, and since then it has been a bit of a whirlwind, as the first meeting with the GEF was to discuss our proposal on Health and Wellbeing to be raised with the Board in March 2022. However, I have loved every minute and really feel as a group the GEF has made a change in the business.
Matt: I have found being part of the GEF a very rewarding experience, it's been great to work with my fellow forum members to understand views from across the business and have such positive dialogue with Executive Committee and the Board about our approach and feedback.

Q: Is the GEF supporting the culture of the business and the work of the Board?
Matt: The GEF continually strives to engage with and listen to our colleagues to understand the key matters within the workplace. Each year we focus on one key topic area which we have identified through this engagement and make a set of recommendations to the Board on how we can improve the business which will ultimately influence its culture and priorities.
Lee: We discuss with all our subsidiaries ways to improve the business. Using ideas from our employees creates a massive buy in, and with that and the PLC Board taking on all the ideas we can all build a better future for the business as one.

Q: In what ways do you feel that having a seat at the GEF helps people within your subsidiary to be heard?
Lee: I feel that by having a seat, I am the voice of Banner Plant, speaking for all the employees and making sure all their views are heard as a collective. The Banner Subsidiary Employee Forum team are collecting lots of views that we then discuss, and it is then my responsibility to make sure that their opinions are understood by a wider audience. It helps in a massive way as we are making changes as a business as a result of their views.
Matt: Although all of the Henry Boot subsidiaries work within the property and construction industry, our working practices differ from company to company, and therefore our lived working experiences differ. Being Hallam's representative means I can relay and make sure the key issues of my colleagues are heard by ExCo and the Board.

COMPOSITION, SUCCESSION AND EVALUATION

Board performance review

Although Henry Boot is not required to conduct an externally facilitated performance review, as it sits outside the FTSE 350, the Nomination Committee did seriously consider whether to engage an external provider for 2022. Whilst the value of such a process was fully appreciated, the Committee concluded that it was not the right time to conduct such an exercise and would review the decision again in 2023.

A formal and rigorous internal performance review was undertaken for the Board, its Committees, the Chair and each individual Director. Attendees at Board meetings were again asked to complete an anonymous questionnaire seeking their thoughts on preparing for, attending and receiving feedback after the meetings. This step offered an additional layer of rigour to the evaluation process.

The process and results are set out below.

Process

STEP 1

In March 2022, the Nomination Committee considered whether to conduct an externally facilitated performance review but agreed to proceed with an internal approach.

STEP 2

The Board discussed and agreed an approach in September 2022.

STEP 3

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

STEP 4

Questionnaire deadline, results collated and reports written.

STEP 5

At the year-end, results were reviewed with the Board and respective Committees, and actions were agreed for 2023. Progress against the 2022 actions was also discussed.

STEP 6

Mid-year reviews will be carried out in summer 2023 to discuss performance against the agreed actions before a full review at the year-end.

Areas where the Board scored strongly:

- Collaborative and welcoming environment
- Clear oversight of the work undertaken by the executive team
- Sufficient time and focus dedicated to discuss strategic issues

Board focus areas:

- Overseeing the development of the marketing, branding and communication approach
- Allowing time for idea generation and innovation
- Improving and maximising the Board attendee experience

COMPOSITION, SUCCESSION AND EVALUATION

BOARD

2022 action areas	Progress during 2022
Customer Regular updates to the Board on the development of the customer feedback processes for each business and review where direct Board involvement would be beneficial	• Following an initial conversation in December 2021, an update on the approach to customer engagement and the wider communications and marketing strategy was discussed at the July 2022 meeting • Group Marketing and Communications Director presented an update at the November Strategy Days • An approach for 2023 was agreed at the December 2022 meeting
Agenda Review the Forward Business Schedule in H2 with the aim of reassessing agenda structure and priorities	• Forward Business Schedule brought to the Board in January and July 2022 • More streamlined and harmonised reporting approach agreed with ExCo members • More papers have been moved out of the main Board pack into an additional reading shelf to prioritise other items on the agenda and/or provide simpler updates
Key Project Oversight Introduce a more structured process for monitoring projects that have received Board approval and increased focus to be given to capturing lessons learned	• Post completion report for all reserved matter projects (and any other exceptional projects) to be brought back to the Board for review
Board Visibility Continue to seek additional opportunities to increase interaction between the Board and the wider business, including informal meetings and presence within offices, particularly to familiarise Peter with the Group and its people upon him taking up the role as Chair	• Lunch with HBC senior management in February 2022 and Birmingham office in July 2022 • GEF invited to the Board for the March and September meetings and also to the AGM • Board attendance at the town hall meeting to discuss the future of the Head Office • Visits around Birmingham to meet site-based staff in July 2022 • Video from Peter sent to all employees in May 2022 • Peter has visited every regional office, seven Banner depots and a number of construction sites, as well as meeting each of the teams at Banner Cross Hall and Dronfield (see page 98 for more details)

Action areas for 2023

Brand	Innovation	Culture
Oversee the marketing, branding and communications strategy as it develops and is rolled out	Build time into the Forward Business Schedule to concentrate on innovation, idea generation and opportunity identification	Formulate an approach to understanding and assessing culture within the business

AUDIT AND RISK

2022 action areas	Progress during 2022
Internal controls Monitor and implement (as required) the new requirements arising from the BEIS consultation	• KPMG internal audit of financial controls undertaken to the standards anticipated by the audit reform requirements, to identify current gaps and requirements • Further updates to be provided when confirmation is provided on the full detail of the requirements
Climate-related risks Evolve our approach to the assessment of climate-related risks and climate scenario planning in line with TCFD recommendations	• Discussion held at July Responsible Business Committee regarding direction of travel on scenario planning work, to be progressed alongside Scope 3 emissions work • Benchmarking exercise ongoing to look at disclosures and reporting by other companies on TCFD to inform discussions on approach and budgeting for 2023 • TCFD report for 2022 ARA has been reviewed in line with all best practice guidance from a number of regulatory and big 4 sources to improve disclosures. More work on incorporating risk and opportunities into scenario planning to be undertaken in 2023
Independence Policy Refine Company policy and protocols for maintaining independence from the external auditors	• New policy approved and in place

Action areas for 2023

Training	New Audit Reform Processes	Risk Review	Cyber & IT approach
Provide specialist training for the Committee on the new audit reform when the guidance is finalised	Begin internal preparations to our systems and processes to be in the best position to adapt to the new audit reform	Agree new risk review procedures to be implemented and rolled out in 2023 (supported by Board and ExCo training)	Oversee a wholesale review of the Group's cyber and IT security approach, receiving updates arising from the cyber internal audit of 2022 but placing these into a broader perspective of the overall risk management for IT and cyber

NOMINATION

2022 action areas	Progress during 2022
Executive Succession Review succession plans for each ExCo member and those prepared by the MDs of each business	• Detailed discussions on formailisation of succession plans deferred until March 2023 following the 2022 performance review process when the talent grids were updated • Further work on the talent grids to be undertaken in 2023
Skills Matrix Re-evaluate the approach to the skills mix on the Board, ensuring that skills required to deliver the Group's future strategy are fully considered	• Skills matrix reviewed and revised approach taken to also include ExCo • Skills carefully considered for the role description for Board recruitment and will be considered for future recruitment to address skills gaps so far as possible • Use of Facet5 for Board members considered
Diversity Work with recruitment partners to ensure that the long list and short list for Board appointment is adequately diverse to find the best possible candidate for the role	• Women on Boards (WoB) co-appointed to recruit new Non-executive Director with a view to improve diversity on the Board • Diverse long and shortlist provided by Norman Broadbent as lead recruiter, including WoB candidate • Improved diversity of skills and gender balance due to changes on the Board • Further improvements planned for future recruitment activities
EDI Continue to monitor and support EDI initiatives across the Group with the corresponding link that this represents in providing progress against diversity targets in the Board Diversity Policy	• EDI training rolled out across whole Group during 2022 • Directors supported People targets included in the Responsible Business Strategy through work with Responsible Business Committee (exceeded 2022 Group gender targets) • Inclusion of diversity related objectives within executive remuneration in conjunction with the Remuneration Committee • EDI Steering Group meeting in September attended by Joanne Lake • Board Diversity Policy refreshed with updated FCA targets

Action areas for 2023

Diversity & Inclusion
Hold a session with the EDI Steering Group to gain insight into barriers to recruitment / progression and understand how this could be improved

Diversity Reporting
Oversee the development of wider diversity reporting in categories other than gender (eg ethnicity, disability)

Reverse Mentoring
Oversee a reverse mentoring programme with ExCo members and Board members

Talent Grids
Continue to develop succession planning and talent grids for ExCo and other senior leaders within the business

COMPOSITION, SUCCESSION AND EVALUATION

REMUNERATION

2022 action areas	Progress during 2022
Executive Committee pay Review the salaries and structure of the Executive Committee members' variable pay to ensure a consistent approach and alignment with the Executive Directors and the wider workforce	• ExCo salaries were benchmarked as part of the reward strategy project and information included in the September 2022 papers. Further benchmarking carried out throughout the year where needed • ExCo Bonus and LTIP structure discussed in early 2022 and revised in September 2022 to bring ExCo members in line with the Executive Directors and the wider workforce strategy • LTIP award increased and 25% of Annual Bonus now deferred into shares
Workforce remuneration Monitor the roll out of the new workforce strategy, seeking feedback from the Group Employee Forum at various stages	• Meeting held between the Group Employee Forum and Gerald Jennings and Tim Roberts in February 2022 to discuss alignment of reward between Executive Directors and the new workforce reward strategy • Board approval for the new reward strategy was given in July 2022 • Update on reward strategy implementation and employee communications in September 2022 and December 2022 • Opportunity for all directors to meet the GEF twice a year informally in March and September

Action areas for 2023

Workforce communications
Oversee improved communications between the Committee, ExCo and employees particularly with regards to the roll out of the workforce reward strategy and Performance review process, seeking feedback from the GEF at various stages

Target setting
Ensure targets for Executive Directors are sufficiently stretching at the time of setting and seek advice from advisors on best practice and market expectations

Workforce reward
Check for consistency across workforce benefits, particularly with regards to pension contribution

RESPONSIBLE BUSINESS

2022 action areas	Progress during 2022
Specialist speakers To engage with a series of specialist guest speakers who will inform the Committee on a variety of ESG topics including the regulatory and legislative framework	• Marcos Navarro of Natwest Bank joined the Committee and Executive Committee in June 2022 to discuss ESG approaches, particularly in relation to the housing market and key themes and trends. • In addition, Graeme Pitkethly of Unilever met with the Committee and Executive Committee in November 2022 to discuss his role on the TCFD Steering Group and the expectations of the market regarding good practice in TCFD reporting.
Training Working with the Responsible Business Manager and Company Secretary, to identify and commission specialist third parties to provide training and/or updates on the ESG regulatory and legislative framework to the Committee and the workforce	• The Committee has liaised closely with the Company Secretary and Responsible Business Manager to identify focus areas where training and upskilling could provide improved knowledge and performance. • A Training Programme is currently under development for implementation in 2023. This will include training and guidance on the ESG regulatory framework, climate change, and health and wellbeing.
Engagement To engage with all Henry Boot working groups, including the Group Employee Forum, focusing on responsible business throughout the year to understand their roles, opinions, and aspirations	• Committee Members have been appointed as Sponsors of the Group's responsible business focus areas. Joanne Lake (EDI Sponsor) attended the EDI Steering Group in September 2022 to engage them in a discussion on performance and focus. Gerald Jennings continued to liaise closely with the Group Employee Forum with a particular focus on community engagement.
Best practice To identify peers (in our sector and beyond) that are performing well on ESG and continually work with the Responsible Business Manager to benchmark Henry Boot's performance	• The Committee continued to proactively engage with the Responsible Business Manager to identify peers (both within our sector and the broader market) who perform strongly on ESG. This information has been used to continually benchmark Henry Boot's approach and performance against competitors and peers.

Action areas for 2023

Materiality Assessment	Specialist speakers	Training	Engagement	Best practice
To support the development and delivery of the materiality assessment to be undertaken with key stakeholders	To continue to engage with a series of specialist guest speakers who will inform the Committee on a variety of ESG topics including the regulatory and legislative framework	Work with the Responsible Business Manager and Company Secretary, to identify and commission specialist third parties to provide training and/or updates on the ESG regulatory and legislative framework	To engage with Henry Boot working groups focusing on responsible business throughout the year to understand their roles, opinions, and aspirations	To identify peers (in our sector and beyond) that are performing well on ESG and continually work with the Responsible Business Manager to benchmark Henry Boot's performance

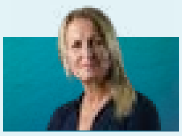
CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

PETER MAWSON
CHAIR OF THE NOMINATION COMMITTEE
5 5

NOMINATION COMMITTEE REPORT

JAMES SYKES
COMMITTEE MEMBER
4 5



JOANNE LAKE
COMMITTEE MEMBER
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GERALD JENNINGS
COMMITTEE MEMBER
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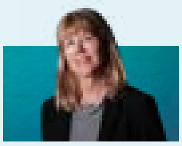
JAMIE BOOT
COMMITTEE MEMBER
3 3



SERENA LANG
COMMITTEE MEMBER
1 1

Nomination Committee attendance key
Meetings attended Eligible meetings

Following a review of Committee memberships, Joanne stepped down as a member of the Nomination Committee with effect from September 2022

Jamie retired in May 2022

Serena joined the Committee with effect from her appointment on the 1 August 2022

"This year we have seen a lot of exciting developments in our approach to succession planning, development, diversity and skills."

Review of the year

In order to evolve a number of key initiatives this year, the Nomination Committee (Committee) met five times during 2022 to review and discuss matters such as succession planning, leadership development and talent management, diversity and inclusion, and skills. You can read an in-depth review of the approach we have taken to the Board Chair and Non-executive Director recruitment, how we have taken steps during this process to support greater diversity and inclusion within our Board, and thought carefully about the appropriate ways of undertaking our recruitment activity to constantly strive to balance on our Board in as many areas as possible including in relation to the mix of skills and experience.

We have also continued to broaden our understanding of the talent below the Board level, and have monitored the Senior Leadership Development Programme and the Leadership Development Programme, to provide practical skills to our managers. This has helped to inform the Committee's oversight of wider talent grids for the entire business to ensure that succession planning throughout the business, not just at Board level, is more developed.

Time has been spent reviewing the skills, knowledge and overall effectiveness of the Board and its Committees, as well as rationalising the memberships of our Committees for Code compliance and time commitment purposes, the results of which are set out in this report.

Those serving as members of the Committee for 2022 were myself, Joanne Lake, Gerald Jennings, Jamie Boot and James Sykes. Within the year Serena Lang was welcomed to the Committee following her appointment to the Board, with Joanne Lake stepping down as a Committee member, and Jamie Boot also stepping down, having retired in May 2022.

On behalf of the Board and the Committee, I am pleased to present the Directors' Nomination Report for the year ended 31 December 2022.

Henry Boot PLC Board

Nomination Committee

Board and Chair succession planning

Read more on page 105

Committee memberships

Read more on page 107

Leadership succession planning

Read more on page 107

Board evaluation and skills

Read more on pages 107 and 108

Increasing Diversity

Read more on pages 108 to 110

Monitoring overall Board and committee effectiveness

Read more on page 110

External recruitment partners were selected by the Committee to assist with the recruitment process for a new independent Non-executive Director to the Board. The Committee's appointed partner was Norman Broadbent, who was used in conjunction with Women on Boards, to help the Committee shape its requirements for the role and to propose strategies to achieve greater diversity on the Board.

January 2022

Recruitment timeline and approach approved by Nomination Committee

February 2022

External recruitment partners appointed

March 2022

Candidate briefing pack and role profile issued to recruitment partners

May 2022

Longlist of candidates received, shortlisting for interviews

June 2022

Initial informal conversations held with five shortlisted candidates; list reduced to two

July 2022

Final interviews held with shortlisted candidates and Serena Lang selected and recommended to Board for approval of appointment

August 2022

New independent Non-executive Director appointed

Board Succession Planning and Chair Appointment

The Committee continued the work commenced in 2021 regarding succession planning for Board, reviewing its proposed activity for 2023/2024 alongside its ambitions in relation to diversity and inclusion, as well as the need to plan for the future and also to consider appropriate methods of addressing outcomes of its skills evaluation.

Recruitment of Non-executive Director

Q&A with Serena Lang

Q: What attracted you to a role as a Non-executive at Henry Boot PLC?

A: The core themes that attracted me to Henry Boot are:

1. A really robust business that thinks long term and has the ability to ride the economic waves with its portfolio across the Built Environment;
2. A strong focus on sustainability;
3. A clear sense of purpose; and
4. A strong leadership team with a great culture from Board level down

Q: What were your thoughts about the recruitment and induction process?

A: The recruiters were able to clearly articulate the business and its strategy, and had been well briefed. There was clarity around the skillsets required from the appointment that would be additive to the existing Board. As a result of the above I was quickly able to determine that this was a business I was interested in and could add value to. After the initial research call, there were 3 interviews which allowed for the appropriate due diligence on both sides.The induction was extensive and really beneficial and I was able to join a strategy meeting 3 months in with an understanding of each of the businesses.

Q: What do you anticipate will be your areas of focus within your Board and Committee roles?

A: There is significant expertise on the Board, particularly in relation to sector and financial knowledge. I anticipate being able to specifically add value in the areas of sustainability, digitising the built environment, strategy and marketing.

Chair Appointment

Q & A with Peter Mawson

Q: What are your thoughts about the Chair recruitment process?

A: Having taken soundings from across the Board, from key stakeholders and from the Executive team, there was universal agreement that an appointment from within the existing group of Non-executive Directors would be in the best interests of the Group. The CEO, in consultation with the HR Director, ensured a rigorous assessment and review process for those of us who were prospective candidates, ultimately leading to a formal interview involving both Executive and Non-executive Directors. I am, of course, delighted to have been invited to take on the role but, more importantly, I do feel that the Board had confidence in the robust approach to Chair selection.

COMPOSITION, SUCCESSION AND EVALUATION

Nomination Committee Report

Q: What steps did you think were important to take in relation to the handover from Jamie Boot as the previous Chairman?

A: Jamie was always going to be a hard act to follow! I cannot ever hope to have his intimate knowledge of the business, but I have felt it important to become visible within the business, meet with as many of our people as possible and be available to all of our stakeholders. I am conscious that I and the Board have responsibility for a business which has a long and successful history, with a strong legacy of continuity and family ownership. At the same time, we are a Group which is constantly evolving and modernising in this ever more complex and uncertain world, and we continue to attract major institutional and private investors who recognise our commercial strength built on that legacy. I feel it is important to strive to maintain that balance as we drive successfully forwards.

Q: What do you believe will be your key areas of focus as the Chair of the Board in 2023?

A: I believe we have a clear and well-expressed strategy but maintaining strategic oversight will continue to be a focus for me. We need to further develop Board succession planning and achieve greater diversity as a part of that succession plan. Meanwhile, despite our commercial strength, our excellent pool of committed, talented people and a unified, inclusive culture we have a way to go in projecting our brand and market position effectively across our markets. This will be a key focus for me. Primarily, though, my core role will be to support our people across the Group. It is their committed contribution that makes Henry Boot a great business and allows us successfully to deliver on behalf of all of our stakeholders.

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

Other matters of note and next steps

As a consequence of me having taken up the role as Chair of the Board, the Senior Independent Director position has been assumed by Joanne Lake. The Board took the decision to retire the role of Deputy Chair, which was previously held by Joanne, as it is not considered to be usual for a company of this nature.

Further independent Non-executive Directors will be appointed during 2023 and 2024, replacing those approaching their 9-year tenure, to ensure that Board membership is progressively refreshed. These recruitments will take into account the need to ensure sufficient time for new Non-executive Directors to be assimilated into their roles, particularly where it is anticipated that they will be assuming a Chair role for one of the Board Committees. We are conscious that with the retirement of Joanne Lake in 2024, one of the recruitment activities will need to ensure that a successor has recent and relevant financial experience in order to be able to fulfil the Code requirements for Audit and Risk Committee Chair. In addition, there is anticipated to be a further period during which the flexibility permitted by Provision 19 of the Code, will be utilised to allow me to remain in my role as Chair past the nine-year period of tenure. This is to ensure that all new Non-executive Directors who have been recruited have had the opportunity to develop detailed knowledge of the business, before becoming eligible to be considered for the Chair role.

The anticipated timeline for future Non-executive Director recruitment is as follows:

First appointment (future ARC Chair)	
March 2023	sign off preferred approach
April 2023	finalise person specification and role profile as well as preferred recruitment partner
May 2023	preferred recruitment partner to commence seeking candidates for long list
August 2023	shortlisting
September 2023	Committee members meet shortlisted candidates informally
October 2023	formal interview of preferred shortlisted candidates to select appointee, for recommendation to the Committee
January 2024	appointee commences role as Non-executive Director, enabling a period to shadow Joanne as Audit and Risk Committee Chair until September 2024 at which point they will assume the role
Second appointment	
January 2024	finalise person specification and role profile as well as preferred recruitment partner, with refreshed look at any required skills or experience
March 2024	preferred recruitment partner to commence seeking candidates for long list
May 2024	shortlisting
June 2024	Committee members meet shortlisted candidates informally
July 2024	formal interview of candidates to select appointee, for recommendation to the Committee
August 2024	appointee commences role as Non-executive Director.

The Committee fully recognises the commitments within its Board Diversity Policy (see page 108) to achieving greater diversity and inclusion within its members and will be seeking to meet these objectives within these recruitment activities, whilst acknowledging that it will take time to be able to put these objectives fully into action through this succession approach. In addition, the Committee will be considering the extent to which it can address any outcomes from its skills assessment in the recruitment activities, whilst acknowledging that it will also need to fulfil any other regulatory requirements in relation to Committee Chair requirements and Committee membership.

Committee membership

Given that membership of the Committees increasingly requires greater time commitments than previously (for meeting attendance and pack reading), the memberships were reviewed by the Committee and refined. In order to enable a complete induction experience for Serena Lang as our newest Non-executive Director, membership of all Committees for her has currently been allocated, though at a later point this could be reviewed if required. As a result, Committee membership from September 2022 was revised as follows:

	Joanne	James	Gerald	Peter	Serena	Tim	Darren
Audit and Risk	C		M		M		
Remuneration	M		C	M	M		
Nomination		M	M	C	M		
Responsible Business	M	M		M	C	M	M

C= Chair M= Member

Those Non-executive Directors who are not formal members of any given Committee are very welcome to attend if their time commitments allow, and all Board members still have access to all the relevant papers and packs on our Board portal, as well as the Board reviewing and ratifying any necessary decisions of the Committees.

Leadership succession planning

Succession planning at all levels within the Group is an area of significant interest and the Board has continued to support the development of our people through a variety of mechanisms including formalised Leadership Development Programmes, coaching and mentoring.

For Executive Directors and Executive Committee, the Committee regularly reviews the talent grids which are overseen by our HR Director with input, where appropriate, from Executive Directors, Executive Committee and external partners who have gained insight into our people through the delivery of our suite of development opportunities. The aim of the regular review is to identify suitable internal talent who are capable of taking on senior roles within the Group in the future and to ensure that we nurture and address any identified development needs to support success.

The Committee has oversight of the Company's Senior Leadership Development Programme (SLDP) through which we have given development opportunities to a significant number of senior management. In 2020, we developed the Leadership Development Programme (LDP) which was delivered remotely and in person during the pandemic and addressed development in our next levels of management. The SLDP and LDP will continue to be available for our people as required and identified by the business as being a priority.

In 2022, the Company piloted Aspire, a Management Development Programme which aims over a period of nine months to develop junior managers and aspiring managers to develop both themselves personally and professionally to become more effective in their roles and drive performance in their teams.

Our investment in learning, development, talent and succession at all levels in the business is pivotal in achieving our key objectives:

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

The Committee will continue to oversee the leadership development opportunities in the business and monitor the ongoing impact on succession planning and talent pipelines throughout the Group.

Board evaluation and skills assessment

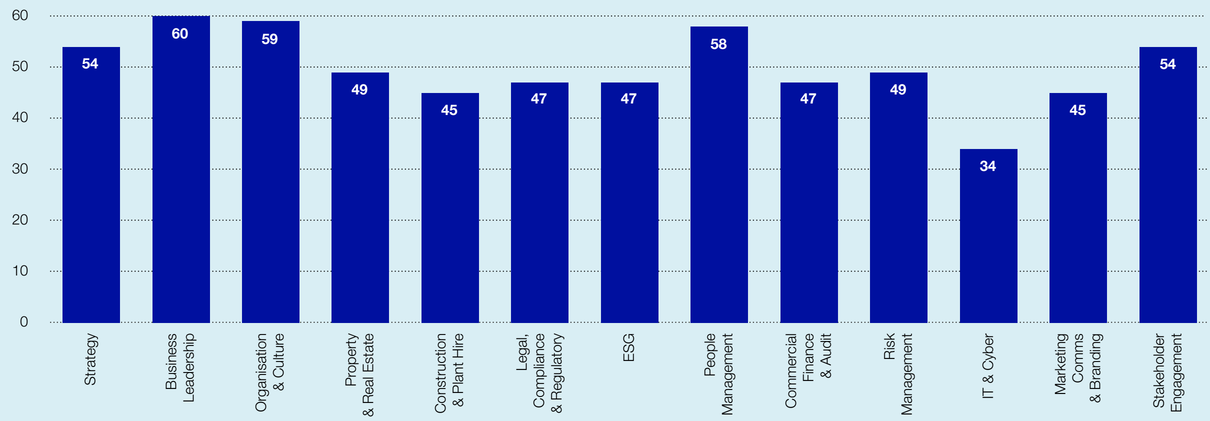
Formal performance reviews were carried out at the end of 2022 and you can read about the process and results on pages 99 to 103.

In addition to the performance reviews outlined on page, the Committee reviewed the assessment of the Board's key skills and experience. We have streamlined the skills evaluation activity to align more with the core expertise required, to ensure strong links between the skills evaluated and the core strategic objectives, and focus on those areas most relevant to an effective overall governance structure. In addition, given the closer ways of working and inputs received from the Executive Committee in relation to a number of key strategic areas, the assessment of skills has been extended to all Executive Committee members.

COMPOSITION, SUCCESSION AND EVALUATION

Nomination Committee Report

Board & Executive Committee Skills Questionnaire



The Skills Matrix will be key to determining the role profile for recruiting new Board members as it aims to address any areas in which skills could be usefully supplemented.

Board Diversity Policy

The Committee reviewed and approved an updated Board Diversity Policy during the year, which is aligned to the recommendations of the Hampton Alexander Review regarding gender diversity on boards, and the Parker Review on ethnic minority board representation, as well as reflecting the amended targets introduced by the updated Listing Rules. The full policy is available to view at www.henryboot.co.uk/our-responsibility. The Committee ensured that the objectives set out within the Board Diversity Policy were fully incorporated within the recruitment activity undertaken during 2022, and will also ensure that our ambitions in this area are captured in forthcoming rounds of recruitment. As such, we anticipate being able to make progress towards achievement of those objectives through this further period of Board refresh.

Our key strategic priorities, which are centred around safety, people, growth and delivery can only be enhanced by seeking diversity of opinion which is achieved through having a varied Board membership. One of the four pillars of our Responsible Business Strategy, launched in January 2022, is dedicated to Our People. This pillar aligns with our goal to champion diversity and incorporates the strategic objectives of our Group-wide People Strategy and Responsible Business Strategy (see page 33 for more information). We are committed to improving our position on Board diversity when appropriate opportunities arise. It is recognised that there will be periods of change on the Board and that these objectives may be reliant upon the Board being refreshed, however, it is our longer-term intention to achieve these objectives. The Board and Nomination Committee will also take into account the prevailing skills and diversity of the Board and the wider Group as and when seeking to appoint a new Director to the Board.

Objective	Progress against objective	Status
1 The Board will ensure that it is made up of an appropriate mix of skills, experience and knowledge required to effectively oversee and support the management of the Group.	Detailed review of effectiveness undertaken confirming that the Board is adequately resourced and performing well.	●
2 The Board has set a target to meet the objective of the Hampton Alexander Review, in that at least 40% of our Board members are women.	At least 40% female representation remains our goal but currently stands at 28% (2 out of 7). We will continue to ensure that our recruitment processes maximise the diversity included in our long and short lists. We are fully committed to achieving and exceeding this goal with our Non-executive Director succession planning and Group-wide diversity initiatives.	●
3 In addition, the Board shall have as its objective that at least one of the four senior board positions (Chair, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Senior Independent Director (SID)) shall be a woman, as per the Listing Rules objective.	The role of Senior Independent Director is held by Joanne Lake, who is female.	●
4 The Board has set a target to meet the objectives of the Parker Review for at least one Board member to be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics).	We currently have no members on the Board from an ethnic minority background. It is our ambition to achieve this objective over the next rounds of recruitment and internal progression.	●
5 The Board will consider candidates for appointment as Non-executive Directors from a wider pool including those with little or no previous FTSE Board experience.	We have consciously worked with our recruitment partners to ensure that our briefs for Non-executive Director appointments encouraged diverse candidates, and a number of those on our long list had no previous FTSE experience. We will continue to ensure that previous FTSE experience is not a specified requirement in future recruitment rounds in order to attract a broad pool of applicants.	●
6 The Board will work with external recruitment consultants to provide support for Board appointments and will ensure that Non-executive Director 'long lists' include both women and candidates from an ethnic minority background excluding white ethnic groups.	In 2022, we appointed external recruitment partners to work with us on our recruitment exercise, and ensured that the long list for the candidates provided a wealth of individuals from diverse backgrounds. We will continue this approach for successive appointments during 2023 and 2024. As previously discussed on page 106, we did not engage an external recruiter for the appointment of the new Chair. This was a considered decision to prioritise the continuity of the leadership of the Board after Jamie Boot, a major shareholder and Boot family member, retired as a Director after 40 years' service.	●

COMPOSITION, SUCCESSION AND EVALUATION

Nomination Committee Report

Objective	Progress against objective	Status
7 The Board (in conjunction with the Committee and the Responsible Business Committee) will support and monitor Group activities to increase the percentage of senior management roles held by women and other under-represented groups across the Group. Activities may include, but not be limited to, the hiring of diverse external senior managers and internal promotion activity but also continued emphasis on diverse pipeline, graduate and apprentice recruitment to support this objective long term.	Through a series of peer sharing forums and information exchanges, led by our HR team, we have worked to elevate the built environment and real estate as a positive career option for women and under-represented groups. Whilst there is still more to do in this area, the intent to develop a pipeline of talent for the Group which meets our diversity aspirations is crucial. During the year, the Committees have approved improved maternity and paternity policies, as well as the introduction of new policies aimed at improving the experience for women at work, such as the Menopause Policy.	Objective achieved in part
8 The Committee (together with the Responsible Business Committee), on behalf of the Board, will monitor, challenge and support internally set targets for diversity and inclusion at all levels across the organisation.	Phase 2 of the Responsible Business Strategy launched in January 2022 includes People-related targets. The Strategy was reviewed by the Responsible Business Committee and approved by the Board. ESG-related targets now also form 25% of the personal objective element of the Annual Bonus award for Executive Directors (equating to 10% of salary). These include quantitative targets for improving the gender mix and reducing the gender pay gap.	Objective achieved
9 The Committee (together with the Responsible Business Committee), on behalf of the Board, will report annually against these objectives and other initiatives taking place within the Company which promote gender and other forms of diversity.	We have improved disclosure of progress against our targets for this year. Whilst we have not achieved all our targets yet, we remain determined to drive improvements and hope to have made further progress during 2023.	Objective achieved in part

Key: Objective achieved · Objective achieved in part · Objective remains a work in progress

The gender balance of those in senior management positions and their direct reports is shown on page 66. You can read more about our EDI Strategy and workforce diversity initiatives on page 33.

Terms of reference

In September 2022, the Committee reviewed its terms of reference in line with the scope of its operations, and the requirements of the Code, to ensure that they remained appropriate. Some minor amendments were proposed and approved, and the full terms of reference is available to view on the Company's website.

Board effectiveness and time commitment

The Board believes it has an appropriate balance of Executive and Non-executive, and independent and non-independent Directors having regard to the size and nature of the business. Further to a review by the Committee it is felt that the overall combination of experience, skills, knowledge and lengths of service of the current Board members provides an appropriate level of balance which contributes to effective decision-making and helps to mitigate risk. A detailed succession plan for the Non-executive Directors, as set out within this report will address any gaps needed to achieve our strategic objectives.

The Committee discussed the skills, independence, length of tenure and time commitments of all the Directors and reviewed the results of the 2022 performance reviews (see pages 99 to 103 for more information) as well as the Board skills evaluation completed during the year. During this process, we noted that Joanne Lake held directorships in other publicly-listed companies including a chair person role at Made Tech Group plc. Joanne's time spent at her other directorships now equates to, on average, 10 days a month and therefore the Committee agreed that this leaves sufficient time to carry out her duties. Among other things, her experience from other listed businesses provides helpful insight into governance matters and best practice and we value her input. We do not see any indication that these other directorships negatively impact her contribution to the Group and remain wholly satisfied with her time commitments and performance.

Following the review, I can confirm on behalf of the Committee that the performance of the Directors, the Board and its committees, continues to be effective and that all individuals show commitment to their roles. All Directors will seek re-election at the upcoming AGM, biographies are shown on pages 80 to 81, and a further summary of Board roles and responsibilities can be found on our website at henryboot.co.uk.

PETER MAWSON
CHAIR OF THE NOMINATION COMMITTEE

12 April 2023

AUDIT, RISK AND INTERNAL CONTROL

JOANNE LAKE
CHAIR OF THE AUDIT AND RISK COMMITTEE

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AUDIT AND RISK COMMITTEE

PETER MAWSON
COMMITTEE MEMBER

3 3

GERALD JENNINGS
COMMITTEE MEMBER

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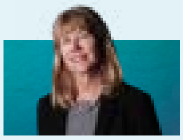

SERENA LANG
COMMITTEE MEMBER

1 1

Audit and Risk attendance key
Meetings attended Eligible meetings

Following his appointment as Chair of the Board, Peter stepped down as a member of the Audit and Risk Committee with effect from September 2022

Serena joined the Committee with effect from her appointment on the 1 August 2022

"Through embedding our external and internal auditor resource further this year, the Committee has set itself up well to ensure a systematic and thorough approach to our audit and risk practices."

Review of the year

On behalf of the Board and the Audit and Risk Committee (the Committee), as Chair of the Committee, I am pleased to present the Directors' Audit and Risk Committee Report for the year ended 31 December 2022.

This year, the Audit and Risk Committee has commenced its first year of internal audit work with KPMG as the internal audit partner, appointed during the latter part of 2021, approving their annual plan and overseeing the outcomes of their review. Alongside the Responsible Business Committee, we also reviewed the approach to assessing climate related risks and opportunities and the reporting around this as it relates to the TCFD disclosures, integrating this approach with our general risk review procedures. We continued to develop the relationship with EY as the external auditor of the Group, overseeing all external and internal audit activity and internal controls regarding risk. The Committee is also aware of the impending introduction of the audit reforms relating to internal controls, which is discussed in more detail on page 113, and which will be the subject of further work during 2023.

Those serving as members of the Committee were myself (Committee Chair) and Gerald Jennings, with Peter Mawson stepping down from the Committee during the year in compliance with Corporate Governance Code requirements, and being replaced by Serena Lang.

Internal audit

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

From early 2022 onwards, our internal audit partner has been KPMG LLP (KPMG). During 2022, the following internal audit reviews were carried out by KPMG:

AUDIT, RISK AND INTERNAL CONTROL

Topic	Outline
Cyber Security	The objective of this audit was to provide a risk-based assessment of the Group's Cyber Security capabilities and to highlight gaps or areas requiring control improvement. This work has focused predominantly on the Group's Cyber Security maturity but also included consideration of Stonebridge Homes. The Internal Audit was conducted using KPMG's Cyber Security Framework, consisting of nine different domains, which comprise: Leadership and Governance; Information Risk Management; Human Factors; Third Parties; Resilience; Compliance; Technical Security; Security Architecture; and Security Operation.
Financial Controls Gap Analysis	This audit performed a gap analysis, to understand and document the flow of information within each in-scope process, identify the various controls in place to mitigate key risks and identify and document the control gaps that exist within each process, where risks are currently not being adequately remediated. The scope of the internal audit focused on understanding and covering the following key areas: **Record to Report (R2R)** – accounting and financial reporting procedures including journals, balance sheet reconciliations and month end closing; **Order to Cash (O2C)** – end to end cycle from contracting with customers through to receipt of payment for goods and services; and **Purchase to Pay (P2P)** – end to end cycle from selection of supplier through to processing of payment for goods and services.
Construction Contracts - Supply Chain Resilience	The scope of this audit focused on understanding and covering the following key areas: **Pre-construction governance -** procedures undertaken prior to contracting, including governance and approval processes for tender submission and contract award; **Project controls -** a high-level assessment of the structure around the management of capital projects; and **Supply chain due diligence and monitoring -** processes for compiling the approved supply chain and ongoing monitoring of subcontractors, as well as the processes in place for maintaining due diligence over, and monitoring subcontractors who are not part of the approved supply chain.

The results of this internal audit activity were reviewed by the Committee during the year, and will continue to be monitored on an ongoing basis, including implementation of any recommendations and the overall status of the audit result.

Audit and Risk Committee Report

Internal audit effectiveness review

The Committee determined that an assessment of the effectiveness of the internal auditor was not appropriate for 2022 due to the fact that the internal auditor had only commenced its activities in early 2022, and had been tested through the tendering exercise and appointment process. A review of the first full year of internal auditing activities will be carried out during 2023 and reported on in the following year.

In determining their initial testing plan for 2022, KPMG reviewed the Group's risk reporting materials, previous internal audit report and met with all senior stakeholders in the business. Their plan was presented and approved by the Committee in February 2022.

Cyber Security

As highlighted above and in previous Committee reports, as well as in the risk report at pages 50 to 56, cyber security continues to be an area of focus, to ensure that appropriate procedures and systems are in place. The Group has not been subject to an information security breach within the previous three years (the last incident having occurred in 2018), and is accredited by Cyber Essentials Plus, an externally audited certification. Cyber risk is an area where we continue to review the appropriateness of relevant mitigation factors, such as information security insurance products, but it is not currently felt that such products offer value for money in relation to the risk that would be insured. The Group continues to mitigate the risks in other ways, through the biannual provision of detailed eLearning, supplemented by phishing email campaigns – with failures being dealt with by targeted user training, as well as having a suite of information security policies and protocols being updated in line with ISO27001 recommendations. Following the recommendations of KPMG as a result of the internal audit activity highlighted on the previous page, the Group has put additional measures in place, including: USB disablement; multi-factor authentication on all users and cloud systems; procurement of new backup products; and data migrated from local storage to cloud storage to help visibility.

Audit Reform

As a Committee, we are keenly aware that the audit-related corporate governance reforms led by the FRC have been in progress and that measures will need to be put in place to ensure full compliance with the requirements when finalised. Policies and protocols will be reviewed under the supervision of the Committee, and a gap analysis carried out. The Committee has been advised on the details of this by both our external and internal auditors, and will continue to review how to use those resources to shape our approach over the coming year.

External audit effectiveness review

The Committee oversaw a full review of the effectiveness of the external auditor in July 2022, which collated feedback from the Committee, finance teams, Managing Directors and other key stakeholders within the Group. Within the scope of the review, the following were considered:

- Planning and half year work performed August to September 2021
- Interim audit carried out November 2021
- Year end audit carried out January to April 2022

Overall, the review concluded that EY conducted a thorough and comprehensive audit providing robust and independent challenge where needed. The strong working relationships with the external audit team, the collaborative nature of the work carried out on the going concern evaluation, and the level of challenge being fair and balanced were reflected upon. Constructive discussions were held with EY around ways of refining the flow of information between internal teams and the audit team, to ensure continuous improvements in methods of engagement. It was also noted that many of these areas would continue to improve with the embedding of those internal protocols around information sharing, which did not impact on the quality of audit work or audit opinion, and so were not considered to be matters of any significant concern.

Extent to which external auditor challenged management

The external auditor has provided robust challenge, particularly around areas of complexity or judgement, including contract, property and inventory valuations, as well as going concern and viability. Its procedures and findings are detailed in its report to this Committee.

Independence of the external auditor

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

In addition, an External Auditor Independence Policy has been developed to supplement our approach on external auditor independence, which was approved in early 2023.

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

EY did not provide any non-audit services to the Group during the year. Details of amounts paid to the auditors for audit services are set out in note 3 to the Financial Statements. Deloitte will provide the Group's corporation taxation services for the year ended 31 December 2022.

In accordance with best practice, the Company will require its external audit partner to rotate every five years, this being the second year to which this relates. The statutory auditor signing the Audit Report for 2022 is Victoria Venning.

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

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

AUDIT, RISK AND INTERNAL CONTROL

Audit and Risk Committee Report

Effectiveness of risk management and internal controls

Risk assessment and risk management reporting across the Group has continued to be monitored during the year. Details of the key risks which the Group faces, the key controls in place to manage and mitigate those risks and the enhanced system of risk management adopted by the Company are set out in more detail on pages 50 to 56. The Committee, and ultimately the Board, oversee these processes and review the risk reporting and principal and emerging risks on an ongoing basis.

Significant issues

The Committee considered the following key accounting issues and matters of judgement in relation to the Group's Financial Statements and disclosures. In addition to these disclosures, the Independent Auditor's Report on page 146 discusses other key audit matters which were also considered by the Committee.

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

Terms of Reference

During 2022, the Committee reviewed its terms of reference in line with the scope of its operations, and the requirements of the Code, to ensure that they remained appropriate. Some minor amendments were proposed and adopted as part of that review and the Terms of Reference were reapproved, and are available on the Company's website.

Approved by the Board and signed on its behalf by

JOANNE LAKE
CHAIR OF THE AUDIT AND RISK COMMITTEE

12 April 2023

CORPORATE GOVERNANCE STATEMENT

Compliance statement

During 2022, the Board and its Committees have been continuing its work to embed the requirements of the Code and improve wherever possible its operations and governance. The Company has complied with all the principles of the UK Corporate Governance Code 2018 for the year ended 31 December 2022 and the vast majority of the provisions. This is demonstrated throughout this Corporate Governance report, and of particular note are the issues below with references to further detail as applicable. However, as in previous years, there are some instances where the Company has chosen to take advantage of the flexibility offered with the "comply or explain" rule when applying certain provisions.

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

To provide further clarification, we will shortly be uploading details of our position against every principle and provision to the Company's website.

Provisions 9 and 19

As previously disclosed, the former Chair of the Board (Jamie Boot) was not independent on appointment, having served as Group Managing Director and a member of the Board for 30 years. In May 2022, Peter Mawson, an independent Non-executive Director of the Company, was appointed as the new Chair and the Company is now compliant with provisions 9 and 19.

We foresee that there is likely to be a period of non-compliance with provision 19 from 1 October 2024 when Peter Mawson will remain as Chair, despite his nine-year tenure, for a period of time to allow the Non-executive Directors recently recruited to the Board to have the opportunity to develop detailed knowledge of the business, before becoming eligible to be considered for the Chair role.

Provision 11

As previously foreseen, following the retirement of Jamie Boot from the Board in May 2022, there was a short period of non-compliance with provision 11 in relation to the number of independent and non-independent Directors on the Board, with only two independent Non-executive Directors (excluding the Chair) being in place, versus three non-independent Directors (Tim Roberts, Darren Littlewood, and James Sykes). This position was resolved when Serena Lang joined as an independent Non-executive Director in August 2022 and the Company is now compliant.

Provision 20

During the succession planning for the Chair role, the Board determined that its strong preference was not to appoint an external recruitment agency to source a new Chair for the Board, but to ensure continuity of experience within the Chair role by appointing one of its existing independent Non-executive Directors as the Chair. Within the longer-term succession plan, provision is made for a further Chair appointment process to commence within the next 5 years, which will once again enable all Non-executive Directors in post at that time to apply for the role as Chair. The Board feels strongly that it is important for its Chair to have had some knowledge and experience of the business prior to assuming the role as Chair, and accordingly has planned for this approach to maintain that continuity. An external recruitment agency was appointed to carry out the search for Serena Lang and will be used for future Non-executive Director appointments, as reported on page 106.

Provision 24

Peter Mawson became Chair on 26 May 2022 and remained a member of the Audit and Risk Committee until 16 September 2022. The Committee composition is now in line with provision 24.

20% vote against – AGM

At the AGM in 2022, no resolution proposed received more than 20% of the vote against it.

AMY STANBRIDGE
COMPANY SECRETARY

12 April 2023

CORPORATE GOVERNANCE REPORT

PETER MAWSON
CHAIR OF THE RESPONSIBLE BUSINESS COMMITTEE

3 3

RESPONSIBLE BUSINESS COMMITTEE

JAMES SYKES
COMMITTEE MEMBER

3 3

JOANNE LAKE
COMMITTEE MEMBER

3 3

GERALD JENNINGS
COMMITTEE MEMBER

2 2

SERENA LANG
COMMITTEE MEMBER

1 1

DARREN LITTLEWOOD
COMMITTEE MEMBER

3 3

TIM ROBERTS
COMMITTEE MEMBER

3 3

Responsible Business Committee attendance key

Meetings attended | Eligible meetings

Following a review of Committee memberships, Gerald stepped down as a member of the Responsible Business Committee with effect from September 2022

Serena joined the Committee with effect from her appointment on the 1 August 2022

Review of the year

The Responsible Business Committee (the Committee) met three times during the year, as well as attending two additional engagement sessions with guest speakers to provide insight on some key areas of practice. The responsibilities of the Committee are to provide oversight and leadership on the Company's strategic approach to, and performance on, all responsible business practices. It provides an independent review and oversight of the development and delivery of the Group's Responsible Business Strategy, which guides the Company's approach to delivery of long term ESG activity and objectives.

During the year the Committee has been responsible for overseeing the approval and delivery of the Group's Responsible Business Strategy, which was launched in early 2022. The Committee is also alive to the interactions required in relation to incorporation of ESG-related targets into executive remuneration (in conjunction with the Remuneration Committee) and oversight of climate-related risks (along with the Audit and Risk Committee).

Those serving as members of the Committee during the year were myself, Joanne Lake, Gerald Jennings, James Sykes, Tim Roberts and Darren Littlewood. Within the year Serena Lang was welcomed to the Committee following her appointment to the Board, with Gerald stepping down as a Committee member, and it is my pleasure to hand over the reins of the Committee to Serena as Chair with effect from 1 January 2023.

On behalf of the Board and the Responsible Business Committee (the Committee), as Chair of the Committee, I am pleased to present the Directors' Responsible Business Committee Report for the year ended 31 December 2022.

"In the last year, we have launched our progressive Strategy for Responsible Business and this Committee continues to focus on making sure that the business delivers against its commitments as well as ensuring it has the right governance in place to manage the broad spectrum of activities this entails."

Henry Boot PLC Board

Responsible Business Committee - key responsibilities

- Oversight of the setting of, and achievement of the objectives within, the Responsible Business Strategy;
- Review of all sustainability and ESG reporting, including implementation of the recommendations of the TCFD and all associated governance arrangements (see more on pages 68 to 77);
- Ensuring that the Board maintains up to date awareness of the Company's impact on the communities it serves, the environment it operates within and the charitable support it is able to give;
- Monitoring culture and alignment with the Company's Purpose, Vision and Values; and
- Monitoring and supporting the development of employee diversity and inclusion across the Company and its leadership.

Responsible Business Strategy

Throughout 2022, the Committee approved and then monitored the delivery of the Responsible Business Strategy, which was launched in January 2022. This included periodic assessment of the progress of the Group against the targets and metrics set within the Strategy. Individual Non-executive Directors were assigned to represent key areas of the Strategy – with myself being sponsor of the NZC Framework, Joanne Lake sponsoring our EDI Strategy and Gerald Jennings sponsoring the Community Partnership Plan.

Given the changes in Committee membership, we will be undertaking a review of the Committee Sponsorship roles in early 2023.

Throughout 2022, the Committee regularly monitored delivery of the Responsible Business Strategy targets and considered how the development of new initiatives (including the Reward Strategy – see page 65) took into account ESG factors and aligned with existing responsible business initiatives.

Other significant issues considered

Focus	Matters considered	Committee outcome
TCFD and Scope 3 GHG Emissions approach	Throughout the year, TCFD reporting in relation to certain specific elements of quantitative scenario modelling, and the development of the Group's approach to Scope 3 GHG Emissions evaluation, has been assessed. As noted in the TCFD report within this Annual Report and Accounts, further progress in these areas is required, and the Committee has been reviewing the approaches to addressing this.	The TCFD Steering Group has been tasked with compiling an approach to TCFD and Scope 3 reporting, including use of external consultants, with proposals to be approved by the Committee during the year.
Climate Change Framework (CCF)	Linked to the subject above, in December 2022 the Committee reviewed a consolidated framework developed by the ESG Steering Group and TCFD Steering Group, which brought together the proposed approach on NZC, TCFD, Biodiversity, Nature Stewardship and Carbon Offsetting. The purpose of the CCF is to provide an internal reporting mechanism that aligns the existing and forthcoming strategies, reporting requirements, and initiatives focused on how the Group is responding to climate change. This approach intends to provide a clearer strategic structure and more clarity for monitoring progress and impact.	The Committee noted the interactions with the Audit and Risk Committee in relation to assessment of risk, and felt that having an overarching Framework to bring together all of the elements relating to climate change was beneficial. The individual strands within the CCF will continue to be developed and overseen by the Committee during the year.
Health and Wellbeing	Following a round of review by the Executive Committee, and having been contributed to by the GEF (see pages 65 to 96), the Health and Wellbeing Strategy was considered by the Committee in December 2022.	The Committee agreed that the Strategy, which was an evolution of the current approach, was an appropriate response to provide a more collaborative and proactive support for our people. Alignment with other initiatives, such as the Agile Working approach and employee value proposition work, was noted.
EDI Action Plan	Whilst the overall EDI Strategy has been subsumed within the Group's overall Responsible Business Strategy, the Group's EDI Steering Group continues to operate and had explored ways in which targets for 2022 could be defined and achieved. The 2022 Action Plan contained a range of measures including a revision of parental leave policies to provide greater support to parents throughout the Group, and also a menopause and pregnancy loss policy being introduced.	Discussing these important initiatives, the Committee supported the work done to date and approved the amended policies. The proposed actions for 2023, and for the remaining years of the Responsible Business Strategy, will address encouraging greater levels of diversity throughout the workforce and management, reducing the gender pay gap, reporting on the ethnicity pay gap and other training and initiatives to increase awareness of EDI matters.

Focus	Matters considered	Committee outcome
Engagement sessions with guest speakers	Marcos Navarro of Natwest Bank joined the Committee and Executive Committee in June 2022 to discuss ESG approaches, particularly in relation to the housing market and key themes and trends. In addition, Graeme Pitkethly of Unilever met with the Committee and Executive Committee in November 2022 to discuss his role on the TCFD Steering Group and the expectations of the market regarding good practice in TCFD reporting.	These sessions have provided greater engagement of the Committee members with peers and subject matter experts, and upskilling in key areas relating to current topics of debate. The Committee, in conjunction with the Board and Nomination Committee, will continue to identify further areas for development through these engagement sessions.

Oversight of climate related disclosures and governance

Set out below is a summary of the approach that has been developed within the Group to ensure that key stakeholders are involved in, and providing relevant reporting on, ESG-related activities throughout the business. These governance structures enable specialists and subject matter experts, as well as our people from throughout the various parts of the Group, to get involved in areas that are closest to them, and ensure that the input to our Committee comes from as broad a range of employee stakeholders as possible.

Responsibilities of senior leaders and management

Senior Leader	Membership	Summary of Role
Chief Executive Officer	Board Responsible Business Committee ESG Steering Group Executive Committee	The Chief Executive Officer assumes overall responsibility for the delivery of the Group's Responsible Business Strategy and responsible business performance.
Chief Financial Officer	Board Responsible Business Committee ESG Steering Group Executive Committee	The Chief Financial Officer supports the Chief Executive Officer to monitor and lead the Group's responsible business performance and to embed ESG within commercial decision making.
Responsible Business Manager	Responsible Business Committee (attendee) ESG Steering Group Executive Committee (attendee) Responsible Business Steering Group EDI Steering Group Climate Change Forum Charity Committee	The Responsible Business Manager: • is responsible for monitoring the Group's performance against the Responsible Business Strategy and routinely updating Executive Committee and the Responsible Business Committee • fulfils the secretary role for the Responsible Business Committee • assumes responsibility for the management and objectives of the Climate Change Forum and EDI Steering Group • assists with preparation of the Group's TCFD disclosures
Finance Director	Responsible Business Committee (attendee) ESG Steering Group TCFD Steering Group	The Finance Director: • collaborates with the Responsible Business Manager to monitor and measure progress against quantative targets within the Responsible Business Strategy • provides advice on alignment with the Group's risk framework and commercial opportunities • assists with preparation of the Group's TCFD disclosures
General Counsel and Company Secretary	Board (attendee) Responsible Business Committee (attendee) ESG Steering Group Executive Committee EDI Steering Group TCFD Steering Group	The Company Secretary is the Group's executive ESG Lead and assumes responsibility to inform strategic direction on ESG and alignment with the expectations of shareholders and the market, as well as assisting with preparation of the Group's TCFD disclosures.
HR Director	Executive Committee EDI Steering Group ESG Steering Group Responsible Business Committee (attendee)	The HR Director assumes responsibility for overseeing the alignment of the Responsible Business Strategy with the People Strategy and leads the EDI Steering Group.
Managing Directors	Executive Committee	The Managing Directors all advise on the Group's strategic approach to ESG and assume responsibility for the responsible business performance for their respective businesses.

ESG Governance Structure

Terms of reference

During 2022, the Committee reviewed its terms of reference in line with the scope of its operations and key areas of focus to ensure that they remained appropriate. Some minor amendments were proposed and adopted as part of that review and the Terms of Reference were reapproved, and are available on the Company's website.

PETER MAWSON
FORMER CHAIR OF THE RESPONSIBLE BUSINESS COMMITTEE

12 April 2023

SERENA LANG
CHAIR OF THE RESPONSIBLE BUSINESS COMMITTEE

12 April 2023

REMUNERATION

GERALD JENNINGS
CHAIR OF THE REMUNERATION COMMITTEE
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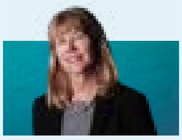
DIRECTORS' REMUNERATION REPORT

JOANNE LAKE
COMMITTEE MEMBER
4 4

PETER MAWSON
COMMITTEE MEMBER
4 4



SERENA LANG
COMMITTEE MEMBER
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Remuneration Committee attendance key
Meetings attended Eligible meetings

Annual Statement from the Chair of the Remuneration Committee

On behalf of the Board and the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022.

This report is divided into three sections:

- This Annual Statement, which summarises the work of the Committee and our approach to Directors' remuneration.
- The Remuneration Policy section, which provides a summary of the policy approved at the 2021 AGM. The full Remuneration Policy can be found on pages 111 to 118 of the 2020 Annual Report (and is also available on the Company website).
- The Annual Report on Remuneration, which sets out the remuneration outcomes for the financial year ended 31 December 2022 and the proposed implementation of the Remuneration Policy for the upcoming year.

Company performance

Henry Boot performed well in 2022, achieving the Group's best ever underlying profit, whilst continuing to make good progress against our strategic objectives.

The key highlights are listed below:

- Record underlying profit of £56.1m driven by residential land and property development sales
- Profit before tax increased by 30% to £45.6m
- Increased ROCE of 12.0%, up 240 bps, within our medium-term strategic target of 10–15%
- EPS grew to 25.0p, up 17.9%
- Dividend increased by 10% to 6.66p with dividend cover increased to 3.8x
- Sold 3,869 plots at an average gross profit of £6.1k per plot
- Completed on £83m (HBD Share) of developments with 92% let/sold
- Maintained a strong average selling price for private homes of £503k
- 2023 construction order book 68% secured – 94% of costs are fixed

"We have delivered strong operational performance resulting in our best ever underlying profit and increased the dividend by 10%. We believe this is reflected in the incentive payouts during the year. We are pleased to introduce a measure based on our Responsible Business Strategy into the LTIP grant in 2023 to drive a reduction in GHG and improve equality"

Remuneration outcomes

Annual Bonus

The 2022 annual bonus was based on PBT (66.7%) and personal objectives (33.3%). Operating performance of the business was excellent, having benefited from strong sales within our property development and strategic land businesses, driving the Group's best ever financial results on an underlying profit basis. Our non-financial operational performance was also excellent with significant progress made against our business strategy.

In line with the fall of UK commercial property values in the second half of 2022, the investment portfolio reduced in value, with the result that the 2022 underlying profitability from operations was negatively impacted by £10.5m. As the bonus is designed to reward strong operational performance within management's control, this negative impact is not included in the formulaic outcome of the bonus (in contrast to the LTIP which includes EPS and ROCE, which are both impacted by movements in property values). On this basis, this would have led to a maximum 66.7% pay out against the stretching PBT target range set at the start of the year. However, the Committee reviewed this outcome and determined that downward discretion should be exercised to reduce the pay out to a target level for this element (so 33.3% rather than 66.7% of the total bonus opportunity), recognising that the reduction in property values had led to a reduction of statutory PBT and weakening of the share price in the final quarter of 2022.

Management performance was strong against the strategic objectives that were set, with a pay-out of 28.3% and 28.8% of 33.3% for the CEO and CFO, respectively. As a result, the formulaic outcome of the bonus is 61.6% of maximum for the CEO and 62.1% of maximum for the CFO.

The Committee is comfortable that the bonus outcome reflects the wider business performance of the Company over the year. As part of the process for approving Executive Director bonuses, the Committee also considered the bonus awards payable to less senior management and employees more widely. The pay-out is considered proportionate and is broadly consistent with wider workforce bonuses.

One third of the bonus is deferred in to shares and held for three years.

LTIP award for performance period FY20–22

The three-year performance period for the 2020 LTIP award ended on 31 December 2022. Performance was based on EPS (33.3%), ROCE (33.3%) and TSR (33.4%). The EPS and ROCE targets were set before the impact of the COVID pandemic and have not been adjusted to reflect the significant detrimental impact this had on our financial performance. ROCE was measured on an average basis across all three years (including a very low ROCE in 2020 caused by significant business disruption) and the 2022 EPS had not recovered sufficiently compared to the 2019 EPS, which was a pre COVID high point for measuring the growth targets. This meant that the minimum performance threshold was not achieved in either case. The Total Shareholder Return performance element achieved partial vesting based on our stock market performance relative to the companies in the FTSE Small Cap Index over the performance period. Overall, 15.1% of the LTIP will vest. The Committee believes that this outcome is appropriate and chose not to apply discretion on the incentive outcome.

The Committee is aware of investor and proxy agency concerns regarding LTIP "windfall gains" and has considered whether market movements risk creating a windfall gain for Executive Directors on the vesting of the 2020 LTIP. The award was granted in June 2020 when the share price was 256p, having recovered from the sharp market drop in March 2020. As this is higher than the share price at the time of writing (223p on 31 March 2023), there is currently no windfall gain.

The Committee is comfortable that actions taken on pay during the year across the Company were appropriate and balanced the interests of all stakeholders and that the Remuneration Policy operated as intended.

Board Changes

Jamie Boot retired from his role as Chairman on 26 May 2022, following the Company's AGM. After undertaking a considered selection process to determine succession, the Group was delighted to announce that Peter Mawson would succeed Jamie as Chair. As a consequence of Peter's changing role, the Senior Independent Director position was assumed by Joanne Lake. The Board has taken the decision to retire the role of Deputy Chair, which was previously held by Joanne. As a part of the work undertaking in the search for a successor to Jamie Boot, the Chair fee was reviewed. The market data suggested that the current fees payable were below market. Taking into account the market positioning and the time commitment for the role, the Chair fee for Peter was set at £105,000 effective 26 May 2022.

Later in the year, Serena Lang was appointed as a Non-executive Director with effect from 1 August 2022. Serena took over as Chair of the Responsible Business Committee on 1 January 2023.

Application of the Directors' Remuneration Policy for 2023

The key decisions for 2023 are set out below.

Salary and fees

The Committee reviewed the out of cycle salary increases that had been made in 2022 and the one-off cost of living payment for the lowest paid employees. Building on this support for the lower paid employees, for 2023 the Committee determined that there should be a tiered approach to salary increases, favouring the lowest paid. On this basis the lowest paid cohort of employees will receive a standard salary increase of between 5-7%, the next lowest paid 4-6%, the Executive Committee 3-5% and the Executive Directors 3%. The average overall salary increase, excluding the Executive Directors and Executive Committee, is 6.24%.

The Non-executive Director and Chair's fees have been increased by 4% for 2023.

Annual Bonus

The maximum annual bonus for Executive Directors will remain at 120% of salary. The annual bonus will again be based two-thirds on financial measures and one-third on strategic objectives, of which a quarter are related to ESG targets. One third of the bonus is deferred in to shares and held for three years.

REMUNERATION

Directors' Remuneration Report

LTIP
The 2023 LTIP awards will be granted at the normal maximum grant level, 125% of salary for the CEO and 100% of salary for the CFO. The 2023 LTIP awards will again be based on EPS, ROCE and TSR (30% of the award each) and, for the first time, we are pleased to introduce a measure based on our Responsible Business Strategy, for the remaining 10%. This year's award will be based on achievement against two targets from our Responsible Business Strategy; a reduction to our scope 1 and Scope 2 emissions by 2025, reflecting our ambition to be net zero for such emissions by 2030 (5%), and a stretching target to improve our gender balance across the workforce (5%). In future years we may evolve these measures to reflect other aspects of our broader ESG agenda.

The ranges for the EPS and ROCE targets have been set to be equivalently challenging to prior years, taking into account internal business plans and current market conditions.

Wider workforce considerations
Salary levels across the workforce were reviewed during the year, taking into account the unusually high levels of inflation and cost of living challenges, including a spike in energy costs. This resulted in out of cycle salary increases for over 100 employees (22.8% of the workforce). Also, in September, we made a one-off payment of £1,000 to the lowest paid two thirds of the workforce.

The Committee also has oversight of the annual bonus and the long-term incentive schemes across the business and ensures that a consistent approach is taken between executive schemes and those applying to the workforce generally.

As a part of the Policy review in the upcoming year, the Committee will review the cascade of the Remuneration Policy below Board to ensure our approach is competitive and aligns with the strategy of the business.

In my dual capacity as Committee Chair and designated Non-executive Director for workforce engagement, I meet regularly with the Group Employee Forum. We dedicate one entire session to discuss how executive remuneration aligns with the workforce reward strategy. Feedback has been positive with the Group Employee Forum appreciating the link between the strategy, company performance and reward with the corporate objectives feeding down through the business from the Executive Directors to all our people. Executive remuneration and the implementation of the Remuneration Policy were not raised as issues during the engagement and so no amendments were required to the proposed implementation of the Remuneration Policy in 2023 as a result of the engagement.

Shareholder engagement
The Committee consults with its larger shareholders on executive pay matters, where considered appropriate. As there are no significant changes in the implementation of the Remuneration Policy, we have not carried out a further formal consultation with shareholders in relation to the policy or its operation in 2023. However, I am always happy to make myself available to shareholders to discuss any concerns or feedback they may have. We will consult with larger shareholders during the Remuneration Policy review process ahead of the 2024 AGM.

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

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

GERALD JENNINGS
CHAIR OF THE REMUNERATION COMMITTEE

12 April 2023

Remuneration at a glance

Performance snapshot

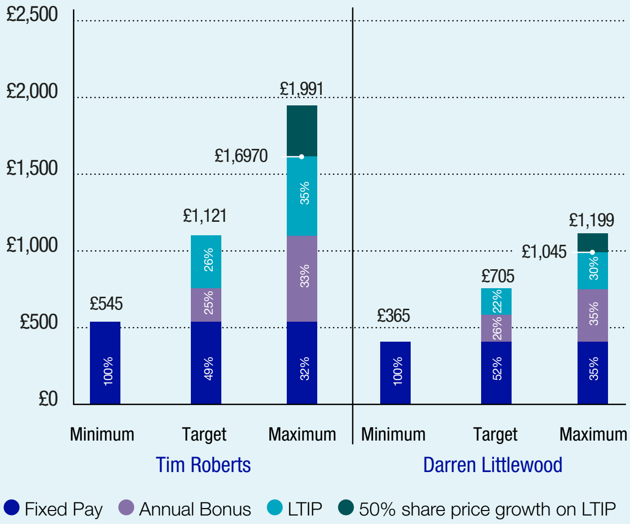
Annual bonus performance

Measure	Performance	Achievement (% of max)
Underlying PBT (66.7%)	£56.1m	50%
Individual/Strategic objectives (33.3%)	See pages 129 to 130	85%

LTIP performance

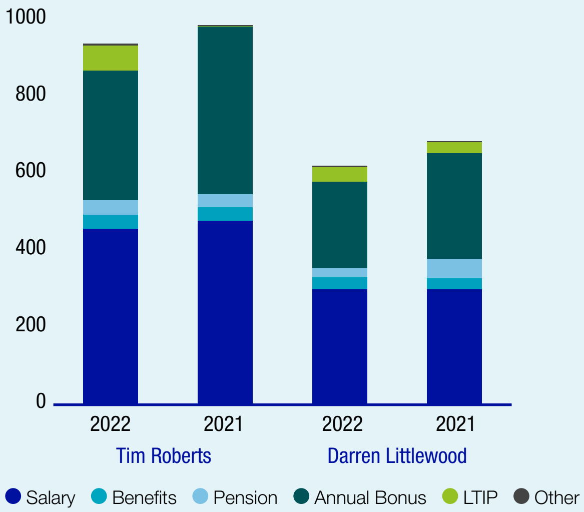
Measure	Performance	Achievement (% of max)
Relative TSR vs FTSE Small Cap	Between median and upper quartile	45%
EPS	-4% pa	0%
ROCE	8.98%	0%

Scenario Charts (£'000)



Executive pay

Total Remuneration (£'000)



1 The 2021 figure includes a salary repayment during the year of £43,046 for Tim Roberts and £25,000 for Darren Littlewood relating to FY2020 – see page 128 for more details.

Implementation for 2023

Base salary	3% increase for all Executive Directors • CEO – £470,200 • CFO – £309,000
Benefits	No change
Pension	8% of salary (in line with the wider workforce)
Annual Bonus	• Maximum opportunity: 120% of salary • Subject to underlying profit and strategic objectives
LTIP	• CEO – 125% of salary • CFO – 100% of salary • Subject to EPS, ROCE, TSR and ESG targets • Two year holding period applies
Shareholding guidelines	200% of salary (to be held for 2 years post-employment)

REMUNERATION

Remuneration policy

This part of the Directors' Remuneration Report sets out a summary of the Remuneration Policy approved by shareholders at the 2021 AGM on 20 May 2021.

The Company's policy on remuneration is designed to ensure that Executive Directors earn sufficient remuneration to be motivated to achieve our strategy with the addition of appropriate incentives, aligned to our vision and strategic objectives, that encourage enhanced performance without excessive risk.

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

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

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

Summary of the Directors' Remuneration Policy and its implementation in 2023

Below is a summarised version of the Policy you can read the full Policy on our website: http://www.henryboot.co.uk/investors/governance/remuneration-policy/

Element	Purpose and link to strategy	Key features	2023 implementation
Salary	Core element of fixed remuneration reflecting role, experience and market rates. Assists in recruitment and retention	• Reviewed annually • Increases generally awarded in line with the workforce average unless compelling reasons for a higher rise	• Average workforce increase: 6.24% • Tim Roberts: £470,200 (3% increase) • Darren Littlewood: £309,000 (3% increase)
Benefits	Provided on a market competitive basis and assists in recruitment and retention	• Level of benefits reviewed to reflect market practice • Include car allowance, private health insurance, permanent health insurance, death in service cover and participation in SAYE scheme	• No change from last year
Pension	Contribution towards retirement income	• Choice of participating in defined contribution scheme or cash in lieu • Aligned to the rate applying to the majority of the workforce (8%)	• Tim Roberts and Darren Littlewood receive cash in lieu of pension contribution at a level of 8% of base salary in line with the majority of employees
Annual bonus	To incentivise the delivery of financial performance, operational targets and individual objectives over the financial year	• Targets set annually, majority of which will be financial • Maximum bonus opportunity of 120% of salary • No more than 10% pay-out for threshold performance and 50% pay-out for target performance • Two thirds paid in cash and one third invested in shares and deferred for three years • Committee discretion and malus clawback provision apply	• Stretching PBT target set for two thirds of the opportunity • Personal objectives set for one third of the opportunity. 25% of this element will be based on ESG targets
LTIP	Provides a clear and strong link between Executive Director remuneration and value creation for shareholders for achieving longer term strategic objectives	• Performance conditions and targets set annually linked to strategy / TSR • Normal levels are 125% of salary for CEO and 100% salary for CFO (Maximum level is 175% of salary – above normal levels require major shareholder consultation) • No more than 25% vests for threshold performance • Three-year award with two-year holding period • Committee discretion and malus clawback provision apply	• Expected grant in FY23 is 125% of salary for Tim Roberts and 100% salary for Darren Littlewood • Mixture of EPS, ROCE, TSR and ESG targets performance criteria
Shareholding guidelines	Aligns their long-term interests to those of shareholders	• Requirement to build and maintain equivalent to 200% of base salary for Executive Directors • Executive Directors are expected to retain at least 50% of any LTIP awards or deferred bonus awards until holdings reach the required level. • Post-cessation requirement to hold lower of shares held or 200% of salary for at least two years (market purchased shares excluded)	• Current holdings for Executive Directors shown on page 132

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Element	Purpose and link to strategy	Key features	2023 implementation
Non-executive Director fees	Fee levels set to assist recruitment and retention of high calibre Non-executive Directors	• Chair fee set by the Committee • Non-executive fees set by the Board (excluding the Non-executive Directors) • Increases aligned generally to the workforce rate • Non-executive Directors not involved in share schemes or pension arrangements	• Non-executive Director fees will be increased by 4%, lower than the increase for the wider workforce of 6.24%

Service contracts and letters of appointment

The Executive Directors have a service contract requiring twelve months' notice of termination from either party as shown below:

Executive Director	Date of appointment	Date of current contract	Notice from the Company	Notice from the individual	Unexpired period of service contract
Tim Roberts	1 January 2020	1 August 2019	12 months	12 months	Rolling
Darren Littlewood	1 January 2016	1 January 2016	12 months	12 months	Rolling

The table below details the letters of appointment for each Non-executive Director.

Non-executive Directors	Date of appointment	Date of current letter of appointment	Notice from the Company	Notice from the individual
Peter Mawson	1 October 2015	30 July 2015	3 months	3 months
James Sykes	22 March 2011	21 August 2019	3 months	3 months
Joanne Lake	1 October 2015	30 July 2015	3 months	3 months
Gerald Jennings	1 October 2015	30 July 2015	3 months	3 months
Serena Lang	1 August 2022	28 July 2022	3 months	3 months

Annual report on remuneration

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

The Remuneration Committee

The primary role of the Committee is to:

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

The members of the Committee and their attendance at Committee meetings is set out page on 120. The key activities of the Committee during the year are set out below:

- Oversight of Remuneration Policy and its implementation.
- Reviewed and approved salaries for the Executive Directors and senior management.
- Reviewed formulaic incentive outcomes for the Executive Directors, senior management and the wider workforce. Considered whether they were aligned to Company performance over the short and long term.
- Reviewed the LTIP awards for the Executive Directors and senior management.
- Engaged with the wider workforce on the alignment between executive pay and the wider workforce.

External Advisers

Following a formal and robust tender process, the Committee appointed Korn Ferry as its advisers with effect from 11 June 2020.

During the year the Committee received independent advice on Directors' remuneration from Korn Ferry who are a member of the Remuneration Consultants Group and adhere to its Code of Conduct which requires its advice to be objective and impartial. Korn Ferry provided advice on market practice updates, benchmarking and supported management with undertakings such as producing the Directors' remuneration report to the extent this did not impact the independence of its advice. The fees paid to Korn Ferry for providing advice to the Committee in relation to Directors' remuneration was £47,100.

Korn Ferry provided other human capital related services during the year, but these services were carried out by a team separate to the remuneration advisory team. As a result, the Committee is satisfied that the advice received was objective and independent.

Statement of voting at the last Annual General Meeting (AGM)

At the 2022 AGM, shareholders were asked to approve the 2021 Annual Report on Remuneration. The Directors' Remuneration Policy was approved by shareholders at the 2021 AGM. The votes received are set out below:

2022 AGM (26 May 2022)	Nature of vote	Votes for	%	Votes against	%	Votes total	Votes withheld
Approve the 2021 Directors' Remuneration report (excluding the Remuneration Policy)	Advisory	83,537,884	94.99	4,407,409	5.01	87,945,293	12,669

2021 AGM (20 May 2021)	Nature of vote	Votes for	%	Votes against	%	Votes total	Votes withheld
Approve the 2021 Directors' Remuneration report (excluding the Remuneration Policy)	Binding	87,300,759	98.03	1,754,384	1.97	89,055,143	9,626

Single total figure of remuneration (Audited)

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

Year ended 31 December 2022	Salary and fees[1] £'000	Taxable benefits £'000	Pension-related benefits £'000	Other[2] £'000	Total fixed £'000	Annual bonus £'000	Long-term incentives[3] £'000	Total Variable £'000	Total Remuneration £'000
Tim Roberts	457	37	37	4	535	338	65	403	938
Darren Littlewood	300	31	24	4	359	224	38	262	621
Jamie Boot	40	1	0	0	41	0	0	0	41
James Sykes	51	0	0	0	51	0	0	0	51
Joanne Lake	58	0	0	0	58	0	0	0	58
Gerald Jennings	58	0	0	0	58	0	0	0	58
Peter Mawson	89	0	0	0	89	0	0	0	89
Serena Lang	21	0	0	0	21	0	0	0	21

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Year ended 31 December 2021	Salary and fees[1,4] £'000	Taxable benefits £'000	Pension-related benefits £'000	Other[2] £'000	Total fixed £'000	Annual bonus £'000	Long-term incentives[5] £'000	Total Variable £'000	Total Remuneration £'000
Tim Roberts	478	35	35	0	548	435	–	435	983
Darren Littlewood	300	28	51	0	379	275	29	304	683
Jamie Boot	91	1	–	–	92	–	–	–	92
James Sykes	48	–	–	–	48	–	–	–	48
Joanne Lake	48	–	–	–	48	–	–	–	48
Gerald Jennings	48	–	–	–	48	–	–	–	48
Peter Mawson	48	–	–	–	48	–	–	–	48

1 Salary includes the value subject to salary sacrifice.

2 Tim Roberts and Darren Littlewood participated in the SAYE all employee plan, further details are set out on page 132.

3 Value of shares based on a three-month average share price of £2.38 to 31 December 2022. This value will be restated next year based on the actual share price on the date of vesting.

4 As stated in the 2021 annual report, the Board voluntarily reduced salaries by 20% from 1 April 2020, for the duration of the most severe impact of the pandemic. Salaries and fees were reinstated in full on 1 October 2020. For Executive Directors, the total salary waived was £43,046 for the CEO and £25,000 for the CFO. These salary reductions for Tim Roberts and Darren Littlewood were repaid in 2021, to mirror the experience of the wider workforce. The Chairman's fee and the Non-executive Director's fees were reduced by 20%. The fee reductions were not reinstated.

5 The 2019 LTIP award vested on 30 April 2022, the value included in the table is based on the value of the award on vesting and includes dividend equivalents of 496 shares. The value is based on the share price on the date of vesting.

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

The information in the single total figure of remuneration in the table on page 127 is derived from the following:

Salary or fees	The amount of salary or fees received in the year
Taxable benefits	The taxable benefits received in the year by Executive Directors.
Annual bonus	The value of bonus payable and the calculations underlying this are disclosed on pages 128 and 129.
Long-term incentives	The value of LTIP awards are those related to shares that vested as a result of the performance over the three- year period ended 31 December of the reporting year.
Pension-related benefits	Pension-related benefits represent the cash value of pension contributions or salary in lieu of contributions received by Executive Directors at a rate of 8% salary for both Tim Roberts and Darren Littlewood.
Other	SAYE awards granted to Executive Directors during the year

Individual elements of remuneration

Pension entitlement

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

2022 bonus

The maximum annual bonus opportunity for the Executive Directors was 120% of salary. Two thirds of the bonus was subject to stretching PBT targets and one third personal strategic objectives. Performance against the targets is set out in the table below.

Measure	Weighting (% of maximum)	Threshold 10% of maximum	Target 50% of maximum	Stretch 100% of maximum	Actual result	Outcome (% of maximum) Tim Roberts	Darren Littlewood
Financial							
Underlying PBT	66.7%	£45.2m	£50.3m	£52.8m	£56.1m	66.7%	66.7%
Non-financial							
Personal objectives	33.3%		See below			28.3%	28.8%
Formulaic outcome			See below			95.0%	95.5%
Outcome following Committee discretion						61.6%	62.1%

Operating performance of the business was excellent, having benefited from strong sales within our property development and strategic land businesses, driving the Group's best ever financial results on an underlying profit basis. Our non-financial operational performance was also excellent with significant progress made against our business strategy.

In line with the fall of UK commercial property values in the second half of 2022, the investment portfolio reduced in value, with the result that the 2022 underlying profitability from operations was negatively impacted by £10.5m. As the bonus is designed to reward strong operational performance within management's control, this negative impact is not included in the formulaic outcome of the bonus (in contrast to the LTIP which includes EPS and ROCE, which are both impacted by movements in property values). On this basis, this would have led to a maximum 66.7% pay out against the stretching PBT target range set at the start of the year. However, the Committee reviewed this outcome and determined that downward discretion should be exercised to reduce the pay out to a target level for this element (so 33.3% rather than 66.7% of the total bonus opportunity), recognising that the reduction in property values had led to a reduction of statutory PBT and weakening of the share price in the final quarter of 2022.

The Committee also evaluated the performance of the Executive Directors against their 2022 personal strategic objectives. The proportion of objectives achieved was assessed as follows:

2022 personal objectives – Tim Roberts

Objective	Details	Weighting (% of salary)	Performance against objective	Outcome (% of salary)
1	Implement Group strategy, identifying strategic smart objectives, taking account of risk	15%	**Strong:** Continued prudent deployment of capital with a more thorough approach to the cascade of strategic objectives throughout ExCo and to wider management teams aligned to Corporate objectives.	12%
2	Communicating the Group's strategy, vision and values both internally and externally	4%	**Strong:** Key appointment of Communications and Marketing Director and a more strategic focus on the messages shared with all stakeholders to ensure consistency of narrative.	3%
3	Develop senior leadership team and review Group remuneration	4%	**Strong:** Continued development of Executive Committee with focus on collaboration and customer. Supported the implementation of a Group wide reward strategy to provide clarity and transparency.	3%
4	Lead good Health and Safety practices around the Group to avoid any major Health and Safety incidents	4%	**Excellent:** All major KPIs have been achieved and continue to be monitored closely.	4%
5	Attract new shareholders to the register, achieving positive feedback from meetings with existing shareholders and analysts by clear key messaging and Investor Relations (IR) Policy	3%	**Strong:** Continued refinement of our equity narrative. Attracted 1 major new investor to the register.	2.5%
6	Implement Environment Social and Governance (ESG) Policy, and promote an open, diverse and progressive organisation	10%	**Excellent:** Successful policy launch and development of ESG targets for all parts of the business. We achieved our gender target for the year and a reduction in our gender pay gap aligned to our longer term goals.	9.5%
Total out of max 40%		**40%**		**34%**

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2022 personal objectives – Darren Littlewood

Objective	Details	Weighting (% of salary)	Performance against objective	Outcome (% of salary)
1	Implement Group strategy, identifying strategic smart objectives, taking account of risk	10%	**Strong:** Continued prudent deployment of capital across all activities with focus on alignment to the refreshed Group strategy and implementation of technology solutions. Continued management of the pension liabilities.	8.5%
2	Implement IT strategy with a focus on identifying business process improvements, efficiencies and systems	8%	**Strong:** Appointment of IT Director to deploy the IT strategy and align to the requirements of the Group and continued focus on cyber security. Group wide process mapping has been implemented and has identified a number of areas of efficiency and where technology solutions can be deployed.	6.5%
3	Developing strategic influence within the business and profile within the wider industry	3%	**Excellent:** Continued commitment to ExCo development with focus on customer and collaboration. Positive feedback from stakeholders in relation to profile raising and representation on wider trade bodies and forums.	3%
4	Developing the Finance/IT/Comms team's profile and skillsets, developing their integration across the Group and encouraging the departments to become more pro-active business partners	3%	**Excellent:** Development of wider skills within the Group to strengthen delivery to internal stakeholders.	2.5%
5	Management and development of financial reporting within each business, to the Board and to the investor community	3%	**Excellent:** Continued to develop compelling equity narrative supported by relevant and consistent financial reporting.	2.5%
6	Undertake a review of internal and external audit and tender the Group's provision of tax services	3%	**Good:** Reviewed external audit with feedback to ARC; tax services were successfully tendered with Deloitte being appointed. Internal audit review will be carried over into 2023.	2%
7	Support the implementation of the Group's ESG Policy	10%	**Excellent:** Successful policy launch and implementation of appropriate ESG targets in all parts of the business. Success has been achieved in increasing female representation and reducing the gender pay gap.	9.5%
Total out of max 40%		**40%**		**34.5%**

Based on performance to 31 December 2022 and downward discretion used by the Committee, the adjusted annual bonus outcome for Executive Directors during the year are shown below.

	Annual Bonus outcome		
Executive	**% of maximum**	**% of salary**	**Bonus outcome (£)**
Tim Roberts	61.6%	74%	£337,812
Darren Littlewood	62.1%	74.5%	£223,500

Two thirds of the bonus will be payable in cash. The remaining one third will be invested in shares and deferred for three years. No further performance conditions or service requirements apply.

Long-Term Incentive Plan (LTIP)

LTIP Awards were granted to Tim Roberts and Darren Littlewood on 22 June 2020. The LTIP shares in this award were subject to the performance criteria set out in the table below.

Performance condition	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual performance	Pay-out of element (% of max)
EPS growth	33.3%	RPI+3% p.a.	RPI+7% p.a.	-4% p.a	0%
ROCE	33.3%	10%	13%	8.97%	0%
TSR[1]	33.4%	Median TSR: -11%	Upper quartile TSR: 24%	Rank 56 out of 128 TSR: -5.2%	15.1%
Total vesting (out of 100%)					**15.1%**

1 The TSR comparator group was comprised of the FTSE Small Companies Index (excluding investment trusts).

The Committee is comfortable that the level of vesting is in line with underlying performance and shareholder experience over the performance period and that no discretion would apply. As a result, the following shares will vest.

Executive Director	Number of shares granted	Number of shares due to vest	Estimated Number of shares for dividend equivalents	Total
Tim Roberts	168,039	25,369	1,941	£64,998
Darren Littlewood	97,592	14,733	1,127	£37,747

1 The share price was £2.56 at the time of grant, compared to the three-month average share price of £2.38 to 31 December 2022. Therefore, No part of the award is currently attributable to share price appreciation. No discretion was applied.

2 After awards vest, subject to selling sufficient shares to pay tax, shares must be held for a further two years.

3 Dividend equivalent shares will be awarded on the shares that vest and will be valued on an average share price for the three business days before the vest date of 22 June 2023. For the purpose of the table above, the estimated number of dividend equivalents has been based on the three-month average share price up to 31 December 2022. For the FY23 Annual Report, this figure will be restated.

4 The total value above has been calculated based on the three-month average share price up to 31 December 2022.

LTIP awards granted in the year (audited)

LTIP awards were granted during the year to Tim Roberts and Darren Littlewood on 29 April 2022.

	Type of award	% of salary	Number of shares	Face value of grant at 324.33p per share[1]	% of award vesting at threshold
Tim Roberts	LTIP – nil cost options	125%	175,938	£570,620	25%
Darren Littlewood	LTIP – nil cost options	100%	92,497	£299,996	25%

1 The share price is calculated based on the average share price for the three days preceding the grant.

The awards are subject to the following performance conditions which will be measured over the three-year period ending 31 December 2024:

Measure	Weighting	Threshold (25% of max)	Maximum (100% of max)
EPS in 2024	33.3%	28p	35p
Return on Capital Employed (average over three years)	33.3%	11%	14%
TSR relative to the FTSE Small Cap Index (excluding investment trusts)	33.4%	Median performance	Upper quartile

Sharesave options granted during the year (audited)

During the year Tim Roberts and Darren Littlewood were granted options under the Company's Sharesave scheme. The details are set out below:

Name	Number of options granted[1]	Exercise price[2]	Face value at grant[1]	% of award vesting at threshold	Date on which exercisable
Tim Roberts	9,090	198p	£22,437	N/A	1 December 2025
Darren Littlewood	9,090	198p	£22,437	N/A	1 December 2025

1 Both Directors opted to save £500 a month over the 3-year savings period equating to 9,090 shares based on the exercise price.

2 The exercise price is calculated based on the average share price for the three days preceding the grant (246.83p). The Board then applied a 20% discount on the price for all participants in line with HMRC rules.

Payments to past Directors

The only payment to a past Director during the year, in respect of services provided to the Company as a Director, was in relation to LTIPs granted to John Sutcliffe in 2019. As a good leaver, the number of shares available to vest was 5,797 shares, having been prorated for his time in employment. This equated to a market valuation on exercise of £18,782.

Payments made for loss of office

Jamie Boot stepped down from the Board on 26 May 2022 and received fees to that date (£40k). There were no additional payments.

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Statement of Directors' shareholdings and share interests (Audited)

The following table sets out the shareholdings and share interests in ordinary shares of the Directors and connected persons in the Company as at 31 December 2022. The Executive Directors are subject to a shareholding requirement of 200% of salary under the Remuneration Policy. Executive Directors are expected to retain at least 50% of any LTIP awards or deferred bonus awards until holdings reach the required level. There are no holding requirements for Non-executive Directors.

		At 31 December 2022					
Director	Beneficially owned at 1 January 2022	Beneficially owned	Unvested Options with performance conditions	Unvested Options without performance conditions	Vested unexercised options	Total interests	**Shareholding as a % of salary or fees**
Tim Roberts	279,067	303,258	550,876	9,090	–	863,224	**152%**
Darren Littlewood	205,404	225,380	294,784	9,090	–	529,254	**171%**
Peter Mawson	13,200	13,200	–	–	–	13,200	**28%**
James Sykes	20,000	20,000	–	–	–	20,000	**89%**
Joanne Lake	10,710	10,710	–	–	–	10,710	**41%**
Gerald Jennings	19,900	19,900	–	–	–	19,900	**77%**
Serena Lang	N/A	–	–	–	–	–	**0%**
Jamie Boot[4]	5,665,002	5,665,002	–	–	–	5,665,002	**13,921%**

1 All outstanding scheme interests are in the form of options.

2 The table above includes the holdings of persons connected with each of the Directors.

3 The shareholding as a percentage shown above is based on the share price at 31 December 2022 (235p). The salary used for this calculation is that which commences on 1 January 2023.

4 Shareholding for Jamie Boot is shown at 26 May 2022 when he stepped down from the Board in relation to his fee at that time.

Tim Roberts increased his holding by 42,000 shares to 345,258 on 26 January 2023. There have been no other transactions between 31 December 2022 and 31 March 2023.

LTIP

	Date of grant	Market price at date of grant	At 1 January 2022	Grant during the year	Exercised during the year	Lapsed during the year	**At 31 December 2022**	Actual exercise date/earliest vesting date
Tim Roberts	22/06/2020	256.17p	168,039		–	–	**168,039**	22/06/2023
	23/06/2021	262.67p	206,899	–	–	–	**206,899**	23/06/2024
	29/04/2022	324.33p	–	175,938	–	–	**175,938**	29/04/2025
			374,938	175,938	–	–	**550,876**	
Darren Littlewood	30/04/2019	272.3p	82,619	–	9,094[1,2]	74,021	**–**	30/04/2022
	22/06/2020	256.17p	97,592	–	–	–	**97,592**	22/06/2023
	23/06/2021	262.67p	104,695	–	–	–	**104,695**	23/06/2024
	29/04/2022	324.33p	–	92,497	–	–	**92,497**	29/04/2025
			284,906	92,497	9,094	74,021	**294,784**	

1 Shares exercised under the LTIP includes 496 dividend equivalent shares.

2 Darren Littlewood exercised 9,094 options during the year under the LTIP. The aggregate gain on exercise was £29,465 based on a share price on the date of exercise of 324p.

Sharesave plan

	Date of grant	At 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year[1]	**At 31 December 2022**	Exercise price	Date from which exercisable	Expiry date
Tim Roberts	15/10/2021	8,000	–	–	8,000	**–**	225p	–	–
	21/10/2022	–	9,090	–	–	**9,090**	198p	01/12/2025	01/06/2026
Darren Littlewood	15/10/2021	8,000	–	–	8,000	**–**	225p	–	–
	21/10/2022	–	9,090	–	–	**9,090**	198p	01/12/2025	01/06/2026

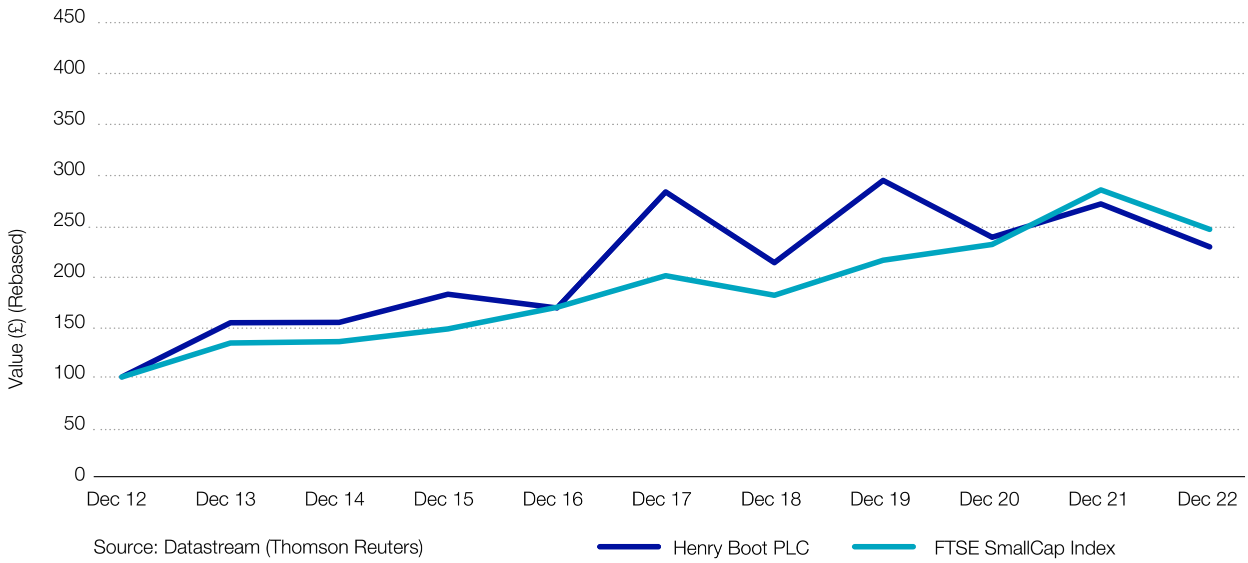
1 Both Tim Roberts and Darren Littlewood pulled out of the 2021 Sharesave plan and opted to join the 2022 Sharesave plan instead.

Share price

The middle market price for the Company's shares at 31 December 2022 was 235p and the range of prices during the year was 227p to 345p.

Ten-year TSR performance graph

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



Source: Datastream (Thomson Reuters)

CEO remuneration for the previous ten years

Year		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**
Name		Jamie Boot	Jamie Boot	Jamie Boot	Jamie Boot	John Sutcliffe	John Sutcliffe	John Sutcliffe	John Sutcliffe	Tim Roberts	Tim Roberts	Tim Roberts
Total Remuneration	(£'000)	962	1,054	1,000	981	1,118	1,277	1,250	912	715	982	**938**
Annual bonus	(% of max)	58.3	83.3	94.5	87.8	91.1	99.2	76.8	64.8	50.0	83.3	**61.6**
LTIP	(% of max)	40	50	25	25	67	100	87	65	nil	nil	**15.1**

Percentage change in Directors remuneration

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in remuneration for Directors compared to the wider workforce.

	Average percentage change 2021/22			**Average percentage change 2020/21**			**Average percentage change 2019/20**		
	Salary/ fees	**Taxable benefits**	**Annual bonus**	**Salary/ fees**	**Taxable benefits**	**Annual bonus**	**Salary/ fees**	**Taxable benefits**	**Annual bonus**
Chief Executive Officer[1]	-5%	6%	-22%	5%	0%	68%	0%	0%	N/A
Chief Financial Officer[1]	0%	11%	-19%	9%	0%	87%	11%	0%	-51.10%
Jamie Boot[2]	N/A	N/A	N/A	5%	N/A	N/A	3%	N/A	N/A
James Sykes[3]	6%	N/A	N/A	5%	N/A	N/A	3%	N/A	N/A
Joanne Lake[3]	21%	N/A	N/A	15.36%	N/A	N/A	3%	N/A	N/A
Gerald Jennings[3]	21%	N/A	N/A	20.55%	N/A	N/A	3%	N/A	N/A
Peter Mawson[4]	85%	N/A	N/A	27.81%	N/A	N/A	3%	N/A	N/A
Serena Lang[5]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	6.24%	0%	54.89%	9.55%	0%	0%	3.99%	0%	-40.81%

1 As stated in the 2021 annual report, the Board voluntarily reduced salaries by 20% from 1 April 2020, for the duration of the most severe impact of the pandemic. Salaries and fees were reinstated in full on 1 October 2020. For Executive Directors, the total salary waived was £43,046 for the CEO and £25,000 for the CFO. These salary reductions for Tim Roberts and Darren Littlewood were repaid in 2021, to mirror the experience of the wider workforce. The Chairman's fee and the Non-executive Director's fees were reduced by 20%.

2 Jamie Boot stepped down from the Board on 26 May 2022. As he did not serve a full year in 2022, the change has not been included as it would not be representative.

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

4 Peter Mawson succeeded Jamie Boot as Chair on 26 May 2022, as a result, his fees increased year on year.

5 Serena Lang was appointed as a Non-executive Director on 1 August 2022. As a result no year-on-year change can be provided.

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CEO pay ratio

The CEO pay ratio comparing the CEO single total figure of remuneration to the equivalent pay for the lower quartile, median and upper quartile of UK employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Regulations.

	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	**Option A**	**28:1**	**20:1**	**12:1**
2021	Option A	31:1	22:1	14:1
2020	Option A	26:1	18:1	11.1
2019	Option A	41:1	27:1	17:1

The Committee selected Option A as the method of calculation as it is generally recognised as the most statistically robust and is consistent with approach used historically. The pay and benefits for UK employees was calculated on 24 March 2023 using the same method as used for the single total figure. No estimates or adjustments have been made.

Each employee's pay and benefits were calculated using each element of remuneration on a full-time basis, consistent with the CEO. No adjustments (other than the approximate up-rating of pay elements to achieve full-time equivalent rates) were made, with the exception of annual bonuses for Stonebridge and Road Link where the amount paid during 2021 was used as the FY22 bonus figures had not yet been determined at the time this report was produced. No components of pay have been omitted.

	25th percentile	50th percentile	75th percentile
Salary/wages	£28,000	£38,600	£48,783
Total remuneration	**£33,227**	**£45,629**	**£74,060**

In 2022, the CEO pay ratio is broadly in line with previous years but has reduced slightly in comparison to 2021. This is in part due to lower annual bonus payments than 2021 and higher remuneration for employees due to the increase in base pay and higher bonus pay-outs.

The Committee is satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees.

Relative importance of the spend on pay

The following table sets out the percentage change in dividends, and the overall spend on pay across our whole organisation:

	2022 £'000	2021 £'000	Change %
Ordinary dividends	**8,840**	8,016	10.0%
Overall expenditure on pay	**39,444**	38,144	3.4%

Implementation of Remuneration Policy in 2023

The section below sets out the implementation of the Remuneration Policy in 2023. Other than the introduction of an ESG performance condition into the LTIP, there are no significant changes.

Executive Directors

Base salary and fees

The salary increase for 2023 is set out below:

	Salaries effective from		
	1 January 2023 £	1 January 2022 £	Change %
Tim Roberts	**£470,200**	456,503	3%
Darren Littlewood	**£309,000**	300,000	3%

Pension

The Executive Directors will continue to receive cash in lieu of pension contribution at a level of 8% of base salary in line with the majority of employees.

2023 bonus

The maximum bonus opportunity for Executive Directors is 120% of salary. The 2023 bonus will be based two thirds on financial measures and one third on strategic personal objectives of which a quarter are related to ESG targets. In line with the Policy, 10% of the bonus will pay out for threshold performance, 50% at target. The profit targets are considered to be commercially sensitive and will therefore be disclosed retrospectively in next year's report. An overview of the strategic personal objectives for each Executive Director is set out below.

2023 strategic personal objectives – Tim Roberts

	Objective	Weighting (% of salary)
1	Evaluate and oversee implementation of Group strategy	15%
2	Enhance the Henry Boot profile through effective communication of our strategy, purpose, vision and values	4%
3	Oversee and drive culture of high performance through enhancing leadership capabilities and developing strategic capacity	4%
4	Oversee and direct Group wide Health and Safety practices to avoid any major Health and Safety incidents	4%
5	Create and share compelling narrative to engage with our shareholders and encourage new investors	3%
6	Oversee implementation of ESG Policy and influence the modernisation agenda with oversight of nurturing our culture and embracing new ways of working	10%

2023 strategic personal objectives – Darren Littlewood

	Objective	Weighting (% of salary)
1	With CEO, support the implementation of the Group Strategy	10%
2	Oversee the implementation of the IT Strategy to encourage business improvement and efficiencies	10%
3	Encourage strategic development of talent in group and continue to develop own profile amongst peers	2%
4	Support modernisation agenda and key internal changes across Group support functions to achieve a more aligned business partner model	4%
5	Oversee and develop financial reporting to support compelling equity narrative to encourage development of the shareholder register	4%
6	Support implementation of ESG Policy and influence our modernisation agenda	10%

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

2023 LTIP Awards

LTIP awards will be granted at 125% of base salary to the CEO and 100% of salary for the CFO. The 2023 LTIP awards will again be based on EPS, ROCE and TSR (30% of the award each) and, for the first time, we are pleased to introduce a measure based on our ESG strategy, for the remaining 10%. This year's award will be based on achievement against two targets from our Responsible Business Strategy; a reduction to our Scope 1 and Scope 2 emissions by 2025, reflecting our ambition to be net zero for such emissions by 2030 (5%), and a desire to improve our gender balance across the workforce (5%). In future years we may evolve these measures to reflect our broader ESG agenda.

The detailed performance metrics, which will be measured over the three-year period to 31 December 2025, is as follows:

EPS (30% weighting)	We strive to grow earnings per share sustainably over the long-term. This should give rise to an ability to grow dividends faster than inflation; a key driver to long-term growth in shareholder value.
Return on Average Capital Employed (30% weighting)	We strive to achieve a 10% profit before tax return on balance sheet net assets. This should give rise to at least two times dividend cover, thereby generating growth in the Group's retained capital to reinvest and grow. This is a further driver to long-term shareholder value growth.
Total Shareholder Return (TSR) relative to constituent companies of the FTSE Small Companies Index (30% weighting)	We strive to achieve high shareholder returns. TSR reflects the extent to which shareholders and the market consider that the Company strategy is appropriate and is being implemented and articulated well by the Executive Directors.
ESG – Scope 1 and 2 GHG reductions (5% weighting) **Workforce Gender Balance (5% weighting)**	We strive to ensure that our business decisions create sustainable and long-term value for all our stakeholders. We want to deliver our commercial purpose whilst leaving a lasting positive legacy.

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These four performance criteria provide a good balance between financial and stock market performance and broader stakeholder interests.

The range of the financial targets for the 2023 awards have been set to be equivalently challenging to prior years' awards, taking into account internal business plans and current market conditions.

For the new ESG related targets, the Scope 1 and 2 emissions targets represent, approximately a 10% reduction from the 2022 figure of 2,930 tonnes. This is considered a stretching goal and is line with the Responsible Business Strategy target for 2025. The performance target has been determined based on the current size of the business and will adjust based on growth or contraction of the business, to ensure that it remains equivalently challenging irrespective of the size of the business in three years' time. Our current gender balance is 74.5:25.5, male : female and 70:30 represents a clear and simple goal for the business.

We considered whether there should be sliding scales set, but determined that this was unnecessary as each represents just 5% of the overall LTIP opportunity and the target in each case is sufficiently stretching.

	Weighting	**Threshold target (25% of maximum)**	**Maximum target (100% of maximum)**
EPS in 2025	30%	20p	28p
Return on Average Capital Employed (average over 3 years)	30%	9.5%	12%
TSR relative to the FTSE Small Cap Index (excluding Investment Trusts)	30%	Median performance	Upper quartile performance
Scope 1 and 2 GHG reduction	5%	2,650 tonnes	
Workforce Gender Balance by 2025	5%	70 male : 30 female*	

*Individuals identifying as male or female

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

Non-executive Directors

Non-executive Director and Chair's fees have been increased by 4% for FY23, lower than the average increase for the workforce of 6.24%.

	Fees effective from		
	1 January 2023 £	1 January 2022 £	Change %
Chair fee[1]	**109,200**	105,000[2]	4%
Base Non-executive Director fee	**52,654**	50,629	4%
Remuneration & Audit and Risk Committee Chair fee	**5,200**	5,000	4%
Responsible Business Committee Chair	**2,600**	2,500	4%
Non-executive Director designated to workforce engagement	**2,600**	2,500	4%
Senior Independent Director	**3,640**	3,500	4%

1 Fee includes role as Chair of Nomination Committee.

2 Peter Mawson was appointed as Chair on 26 May 2022. The fee for the Chair represents his fee on appointment.

Approved by the Board and signed on its behalf by

GERALD JENNINGS
CHAIR OF THE REMUNERATION COMMITTEE

12 April 2023

DIRECTORS' REPORT

The Directors' Report for the financial year ended 31 December 2022 is detailed below.

Activities of the Group

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

Strategic Report

In accordance with the Companies Act 2006, we are required to present a fair review of the Group's business along with a description of the principal risks and uncertainties it faces. The Strategic Report for the year ended 31 December 2022 is set out on pages 02 to 77.

Corporate governance statement

The Disclosure Guidance and Transparency Rules of the Financial Conduct Authority require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the Corporate Governance Statement can be found in Governance on pages 84 to 143, and also within this Director's Report.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 155. The companies affecting the profit or net assets of the Group in the year are listed in note 35 to the Financial Statements.

The Directors recommend that a final dividend of 4.00p per ordinary share be paid on 2 June 2023, subject to shareholder approval at the 2023 AGM to be held on 25 May 2023, to ordinary shareholders on the register at the close of business on 5 May 2023. If approved, this, together with the interim dividend of 2.66p per ordinary share paid on 14 October 2022, will make a total dividend of 6.66p per ordinary share for the year ended 31 December 2022. Further details are disclosed in note 10 to the Financial Statements on page 174.

Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 166 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 18, 24, 25 and 27 to the Financial Statements.

Going concern and viability statement

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Strategic Report on pages 56 to 57.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 143. The Independent Auditors' Report is given on pages 146 to 154.

Fair, balanced and understandable

The Audit and Risk Committee and the Board have assessed the tone, balance and language of the Annual Report and Financial Statements, being mindful of the requirements of the UK Corporate Governance Code and the need for consistency between the narrative section of the document and the Financial Statements. The Board's formal statement on the Annual Report and Financial Statements being fair, balanced and understandable is contained within the Statement of Directors' Responsibilities which can be found on page 143.

Political donations

The Company made no political donations in the year or in the previous year.

Directors and their interests

Details of the Directors who held office during the financial year ending 31 December 2022 and as at the date of this Annual Report and Financial Statements can be found on pages 80 and 81. At no time during the year has any Director had any interest in any significant contract with the Company.

The interests of Directors and persons closely associated with them in the share capital of the Company as at 31 December 2022, are disclosed in the Directors' Remuneration Report on page 132. Between 31 December 2022 and 31 March 2023, being a date not more than one month prior to the date of the Notice of the AGM, Tim Roberts purchased 42,000 ordinary shares. There were no other changes in the beneficial interests of any of the current Directors during this period.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 130 to 132.

Directors' service contracts and letters of appointment

Details of unexpired terms of Directors' service contracts and/or letters of appointment of the Executive Directors proposed for reappointment at the AGM on 25 May 2023 are set out in the Directors' Remuneration Policy.

Tim Roberts and Darren Littlewood each have a one-year rolling service agreement in accordance with our policy on Directors' contracts. Termination of these arrangements would therefore be subject to their contractual terms and conditions which require a notice period of one year to the Director. Contractual compensation in the event of early termination provides for compensation at basic salary, pension and benefits for the notice period.

Non-executive Directors, including the Chair, do not have service contracts. All Non-executive Directors have letters of appointment and their appointment and subsequent reappointment is subject to approval by shareholders. Non-executive Director appointments are typically for three years; however, they may be terminated without compensation at any time. The full 2022 Directors' Remuneration Policy can be viewed on the website, with a summary set out on pages 125 to 126.

Training and development

Formal and tailored inductions are arranged for all new Directors and continued development is monitored by the Chair as part of the evaluation process. The programme of induction includes attendance at PLC Board and subsidiary meetings, meetings with key internal

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DIRECTORS' REPORT

and external stakeholders, training on director duties and other developments to ensure a seamless integration into the business. You can read more about the induction for Serena Lang on page 105 and Peter Mawson's transition to the Chair role on pages 106.

Non-executive Directors are encouraged to familiarise themselves with the Company's business, and throughout the year they have regularly attended subsidiary board meetings and other management meetings. You can read more about training during 2023 on page 91 and engagement with employees and other stakeholders on pages 96 to 98.

Specific training requirements were considered as part of the Board's performance review, details of which can be found on pages 107 to 108. General updates on regulations and best practice are provided through a mixture of briefings, Board papers and email updates.

Employment policy and involvement

Employees

Employees are at the heart of all that we do; our culture ensures that employees can grow, thrive and succeed. Details of how we seek to promote and achieve this are set out in the people section on pages 63 to 67, the employee engagement report on pages 96 to 98 and Nomination Committee Report on pages 104 to 110.

Employee engagement

Details of our employee engagement activities can be found on pages 96 to 98.

Employee communications

Employee communications has become a focus during 2022 with the creation of a new role and the subsequent appointment of a Group Marketing & Communications Director. We are undertaking a review of how we communicate with our people and have issued a survey to understand employee preferences on the regularity, nature and medium of our interactions. The results will be analysed and discussed with the Group Employee Forum and will feed into a revised strategy that will be rolled out in 2023.

During the year, we have had regular communications and interactions with employees and directors through townhalls, email, live webinars and recorded video messages from the CEO. Collaboration and inclusion is encouraged; live webinars are recorded so that they can be watched on demand and Q&A sessions are included where possible.

Employee share schemes

The Group encourages participation in employee share schemes of the Company to share in the potential growth and any future success of the Group. From 2018, eligible employees have been invited to participate in Sharesave and either the Company Share Option Plan or the Long Term Incentive Plan based on their role on an annual basis. Details of employee share schemes are set out in note 29 to the Financial Statements.

Directors' indemnity provisions

Directors risk personal liability under civil and criminal law for many aspects of the Company's main business decisions. As a consequence, the Directors could face a range of penalties including fines and/or imprisonment. In keeping with normal market practice, the Company believes that it is prudent and in the best interests of the Company to protect the individuals concerned from the consequences of innocent error or omission.

As a result, the Company operates a Directors' and officers' liability insurance policy in order to indemnify Directors and other senior officers of the Company and its subsidiaries, as recommended by the UK Corporate Governance Code. This insurance policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

In addition, subject to the provisions of and to the extent permitted by relevant statutes, under the Articles of Association of the Company, the Directors and other officers throughout the year, and at the date of approval of these Financial Statements, were indemnified out of the assets of the Company against liabilities incurred by them in the course of carrying out their duties or the exercise of their powers.

Health and safety

The Health and Safety of our employees and others is paramount.

Further information on our approach to Health and Safety is provided in the People section on page 67.

Relationship with stakeholders

Details of how we engage with stakeholders and uphold our Director's duties more widely under s.172 of the Companies Act 2006 can be found on pages 58 to 61.

Shareholder relations

The Company actively communicates with its institutional and private shareholders and values a two-way conversation on key Company issues. It is this close relationship with shareholders that is viewed as one of the Company's particular strengths.

During the year a number of formal presentations were made by members of the Board to institutional shareholders and feedback from these meetings was provided to the Board by our brokers or through written reports. In addition, informal feedback sessions regarding the Annual Report were carried out with institutional investors. At every Board meeting an update is given to the Non-executive Directors on any feedback from investors, particularly after investor roadshow programmes. The Board receive a report at every meeting on share movements during the period and any market trends. The Company uses the Investor Relations section of its website, henryboot.co.uk, to publish statutory documents and communications to shareholders, such as the Annual Report and Financial Statements. The website is designed to communicate with both present and potential investors and includes all London Stock Exchange announcements, investor presentations and press releases.

Greenhouse gas emissions

The GHG emissions disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included within the Strategic Report on pages 76 to 77. This information is incorporated by reference into (and shall be deemed to form part of) this report.

Substantial interests in voting rights

Excluding Directors, as at 31 March 2023, being a date not more than one month prior to the date of the Notice of the AGM, the information in the table below had been disclosed to the Company in accordance with the requirements in the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

	Voting rights over ordinary shares	
	Number	**% of issued**
Rysaffe Nominees and J J Sykes (joint holding)[1]	20,532,155	15.40
David John Gladman	11,319,548	8.48
The London & Amsterdam Trust Company Limited	8,487,371	6.37
The Fulmer Charitable Trust[2]	5,739,580	4.40
Polar Capital	4,176,337	3.14

1 Rysaffe Nominees and James Sykes are joint registered holders on behalf of various Reis family trusts and are therefore not included under the beneficial interests of James Sykes set out in the Directors' Remuneration Report.

2 The shares of the Fulmer Charitable Trust, a recognised charity, are registered in the names of Mr John Spencer Reis, Mrs Sally Anne Reis and Mrs Caroline Mary Mytum as Trustees.

These figures represent the number of shares and percentage held as at the date of notification to the company.

Details of Directors' holdings can be found on page 132.

Shares held by the Henry Boot PLC Employee Trust

The Company has an established Employee Trust (the Trust) for the benefit of the Group's employees to satisfy existing grants by the Company under various share-based payment arrangements. Details of the Company's share-based payment arrangements are provided in note 29 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout 2022 were Tim Roberts, Darren Littlewood and Amy Stanbridge (Jamie Boot resigned as a Director on 1 July 2022), exercises the voting rights in relation to shares held as it, in its absolute discretion, thinks fit, but having regard to the interests of the beneficiaries. In respect of the financial year of the Company ended on 31 December 2022, the Trust has waived the right to receive from the Company all dividends (if any) in respect of the shares held within the Trust.

There were no purchases during 2022 by the Trust who makes purchases of ordinary shares in the Company from time to time in order to satisfy upcoming grants. Further details are provided in note 31 to the Financial Statements.

Future developments

Important events since the financial year end and likely future developments are described in the Strategic Report on pages 18 to 77 and in note 34 to the Financial Statements.

Statement of disclosure of information to auditors

The Directors of the Company who held office at the date of approval of this Annual Report each confirm that:

- so far as they are aware, there is no relevant audit information (information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The external auditors, Ernst & Young LLP, have carried out the audit of the 2022 financial results. Resolutions re-appointing Ernst and Young LLP as auditors (Resolution 11) and authorising the Audit and Risk Committee to fix their remuneration (Resolution 12) will be proposed at the AGM.

Annual General Meeting (AGM)

The Notice of the AGM can be found on pages 208 to 211, which also details methods of shareholder engagement to take place in conjunction with the AGM. It is also available at henryboot.co.uk, where a copy can be viewed and downloaded.

Additional shareholder information

This section sets out details of other matters on which the Directors are required to report annually, but which do not appear elsewhere in this document.

The information below summarises certain provisions of the current Articles of Association of the Company (as adopted by special resolution on 27 May 2011) (the Articles) and applicable English law concerning companies (the Companies Act 2006). This is a summary only and the relevant provisions of the Companies Act 2006 or the Articles should be consulted if further information is required.

Share capital

The Company's issued share capital comprises two classes of shares being, respectively, ordinary shares of 10p each (ordinary shares) and cumulative preference shares of £1 each (preference shares). Further details of the share capital of the Company are set out in note 29 to the Financial Statements. As at 31 March 2023, the ordinary shares represent 97.10% of the total issued share capital of the Company by nominal value and the preference shares represent 2.90% of such total issued share capital. The ordinary shares and the preference shares are in registered form. Both classes of share are admitted to the Official List maintained by the Financial Conduct Authority.

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The Company's ordinary shares are categorised as "Premium Listed" and its preference shares as "Standard Listed". A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing requires compliance with additional requirements set out in the Listing Rules of the Financial Conduct Authority.

The Notice of the AGM on pages 208 to 211 includes the following resolutions:

- An ordinary resolution (Resolution 13) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,457,727 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 31 March 2023. The authority will expire on 24 August 2024 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority. The Directors do not have any present intention of exercising the authority.
- A special resolution (Resolution 14) to enable the Directors to continue to allot equity securities for cash in connection with a rights or other issue pro rata to the rights of the existing shareholders, but subject to certain exceptions, and for any other purpose provided that the aggregate nominal value of such allotments does not exceed £668,659 (approximately 5% of the Company's issued ordinary share capital at 31 March 2023). The authority will expire on 24 August 2024 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority. The Directors also confirm their intention that, in line with the Pre-Emption Group's Statement of Principles, no more than 7.5% of the issued ordinary share capital of the Company (excluding treasury shares) will be issued for cash on a non pre-emptive basis during any rolling three-year period without prior consultation with shareholders.
- A special resolution (Resolution 15) to renew the authority of the Company to make market purchases of up to 13,373,182 of its own issued ordinary shares (10% of the Company's issued ordinary share capital at 31 March 2023). The minimum price that may be paid under the authority for an ordinary share is 10p and the maximum price is limited to not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Directors will exercise the authority only if they are satisfied that it would be likely to result in an increase in expected earnings per share of the ordinary share capital in issue and that any purchase will be in the best interests of shareholders generally. If the Directors do decide to exercise the authority, ordinary shares so acquired will either be cancelled or held as treasury shares, depending upon the circumstances prevailing at the time.

Rights and obligations attaching to shares

Subject to the Companies Act 2006 and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of Directors for the time being of the Company (the Board) may decide. Subject to the Companies Act 2006, the Articles and any resolution of the Company, the Board may deal with any unissued shares as it may decide.

Rights of preference shares

The preference shares carry the following rights in priority to the ordinary shares but carry no further right to participate in profits or assets:

- the right to receive out of the profits of the Company a fixed cumulative preferential dividend at the rate of 5.25% per annum on the capital paid up thereon;
- the right on a return of assets on a winding up to payment of the capital paid up thereon together with a sum calculated at the rate of 6.00% per annum in respect of any period up to the commencement of the winding up for which such preferential dividend as referred to above has not been paid; and
- the right on a return of assets in a reduction of capital to repayment of the capital paid up thereon together with a sum equal to all arrears (if any) of such preferential dividend as referred to above. The preference shares shall not confer on the holders of them any right to receive notice of or to be present or to vote at any general meeting unless either:
  - a resolution is proposed directly affecting the rights or privileges of the holders of the preference shares as a separate class; or
  - at the date of the notice convening the general meeting, the fixed cumulative preferential dividend provided in the Articles shall be in arrears for more than six months.

Voting

For 2023, the Company has determined that voting on each resolution will be conducted by way of a poll. The Company believes that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of votes held and all votes tendered are taken into account. The results of the poll will be announced to the London Stock Exchange and will be made available on the Company's website at www.henryboot.co.uk as soon as practicable following the conclusion of the AGM. Under the Companies Act 2006, shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

Restrictions on voting

A shareholder shall not be entitled to vote at any general meeting or class meeting in respect of any shares held by him unless all calls and other sums presently payable by him in respect of that share have been paid. In addition, holders of default shares (as defined in the Articles) shall not be entitled to vote during the continuance of a default in providing the Company with information concerning interests in those shares required to be provided (following relevant notification) under the Companies Act 2006.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 25 May 2023 are set out in the Notice of AGM on pages 208 to 211.

Dividends and distributions

The Company may, by ordinary resolution, declare a dividend to be paid to the shareholders but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends and also any fixed rate dividend whenever the financial position of the Company justifies its payment in the opinion of the Board. If the Board acts in good faith, none of the Directors shall incur any liability to the holders of shares with preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on other shares.

Variation of rights

The Articles specify that the special rights attached to any class of shares may, either with the consent in writing of holders of three-quarters of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise), be modified or abrogated.

Transfer of shares

Under and subject to the restrictions in the Articles, any shareholder may transfer some or all of their shares in certificated form by transfer in writing in any usual form or in any other form which the Board may approve. Uncertificated shares must be transferred by means of a relevant system, such as CREST. The Board may, save in certain circumstances, refuse to register any transfer of a certificated share not fully paid up. The Board may also refuse to register any transfer of certificated shares unless it is:

- in respect of only one class of shares;
- duly stamped or exempt from stamp duty;
- delivered to the office or at such other place as the Board may decide for registration; and
- accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to show the right of the intending transferor to transfer the shares.

In addition, the Board may refuse to register any transfer of shares which is in favour of (i) a child, bankrupt or person of unsound mind or (ii) more than four transferees.

Repurchase of shares

Subject to the provisions of the Companies Act 2006 and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

Amendment to the Articles of Association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Appointment and replacement of Directors

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

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

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

i. they are prohibited by law from being a Director;
ii. they become bankrupt or make any arrangement or composition with their creditors generally;
iii. they are physically or mentally incapable of acting as a Director, in the opinion of a registered medical practitioner who is treating them;
iv. a court makes an order that they are prevented from exercising their powers or rights by reasons of their mental health;
v. for more than six months they are absent, without special leave of absence, from the Board, from meetings of the Board held during that period, and the Board resolves that their office be vacated; or
vi. they serve on the Company notice of their wish to resign.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

Powers of the Directors

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Articles and any resolution of the Company's shareholders.

The Articles specify that the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets and uncalled capital and to issue debentures and other securities, subject to the provisions of the Articles.

Takeovers and significant agreements

The Company is a party to the following significant agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid:

- the Company's share schemes and plans; and
- bank facilities whereby upon a "change of control" the lenders shall consult with the Company for a period not greater than 30 days (commencing on the date of the change of control) to determine whether and on what basis the lenders are prepared to continue the facility.

Information rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to enjoy information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, rather than to the Company's registrars, Computershare Investor Services PLC or to the Company directly.

Approved by the Board and signed by its order by

AMY STANBRIDGE
COMPANY SECRETARY

12 April 2023

The following table sets out where stakeholders can find relevant Non-Financial information within this Annual Report, further to the Financial Reporting Directive requirements contained in sections 414CA and 414CB of the Companies Act 2006. Where possible, it also states where additional information can be found that support these requirements.

Reporting requirement	Relevant Henry Boot policies and procedures	Where to read more in this report	Page
Business Model		Business Model	20 to 23
Principal risks and impact of business activity		Risks and Uncertainties	50 to 57
		Audit and Risk Committee Report	111 to 114
Non-financial KPIs		Strategy	28 to 31
		Key Performance Indicators	
Employee Engagement	Board Diversity Policy	Our People	63 to 67
	Board Stakeholder Policy	Section 172	59 to 60
		Employee Engagement	96 to 98
Human Rights	Modern slavery statement & Policy	Our People	63 to 67
	Rights to Work		
	Whistleblowing		
Social matters	Board Stakeholder Policy	Our Responsible Business	32 to 36
		Section 172	59 to 60
Anti-bribery and corruption	Anti-bribery and Corruption Policy	Our People	63 to 67
Environmental matters	Board Stakeholder Policy	Our Planet	35
		TCFD	68 to 77
		Section 172	59 to 60
		Employee Engagement	96 to 98

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK-adopted international accounting standards ("IFRSs"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether UK-adopted international accounting standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/ or the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Approved by the Board and signed on its behalf by

TIM ROBERTS
DIRECTOR

12 April 2023

DARREN LITTLEWOOD
DIRECTOR

12 April 2023

3 FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT
to the members of Henry Boot PLC

Opinion

In our opinion:

- Henry Boot PLC's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Henry Boot PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise:

Group	Parent Company
Group statement of financial position as at 31 December 2022	Parent Company statement of financial position as at 31 December 2022
Group statement of comprehensive income for the year then ended	Parent Company statement of changes in equity for the year then ended
Group statement of changes in equity for the year then ended	Parent Company statement of cash flows for the year then ended
Group statement of cash flows for the year then ended	Related notes 1 to 36 to the financial statements including a summary of significant accounting policies
Related notes 1 to 36 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management's going concern assessment process, through our walkthrough of the Group's financial close process and engaging with management early to ensure all key factors we identified were considered in their assessment.
- obtaining management's going concern assessment, including the cash forecast and forecast covenant calculation, which covers the period to 31 December 2024. The Group has modelled a base scenario and a severe but plausible downside scenario in their cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the Group. This downside scenario models a significant curtailment of activity and is modelled on a recessionary environment similar to that experienced during the global financial crisis in 2008.
- testing the factors and assumptions included in each modelled scenario for the cash forecast and covenant calculation which included consideration of whether climate change could impact the assessment. We also considered the appropriateness of the models used to calculate the cash forecasts and covenant calculations to determine if they were appropriately sophisticated to be able to make an assessment on going concern.
- testing the integrity and clerical accuracy of the model.
- considering the mitigating factors included in the cash forecasts and covenant calculations that are within control of the Group, for example, reducing uncommitted development and acquisition expenditure. This included an assessment of the Group's non-operating cash outflows.
- verifying the credit facilities available to the Group, being the secured loan facility of £105m.
- performing reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period.
- reviewing the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 2024.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of six components and audit procedures on specific balances for a further ten components. • The components where we performed full or specific audit procedures accounted for 93% of Profit before tax, 99% of Revenue and 98% of Total assets.
Key audit matters	• Valuation of contract balances and associated revenue and profit recognition • Valuation of house building inventories and profit recognition • Valuation of investment properties
Materiality	• Overall group materiality of £2.4m which represents 5% of Profit before tax.

An overview of the scope of the Parent Company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 55 reporting components of the Group, we selected 16 components covering entities, which represent the principal business units within the Group.

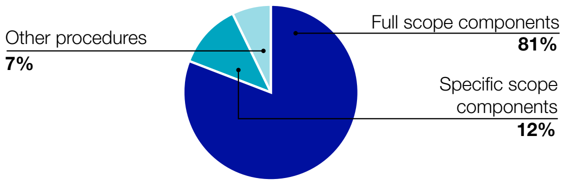
Of the 16 components selected, we performed an audit of the complete financial information of six components ("full scope components") which were selected based on their size or risk characteristics. For the remaining ten components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 93% (2021: 95%) of the Group's Profit before tax, 99% (2021: 99%) of the Group's Revenue and 98% (2021: 96%) of the Group's Total assets. For the current year, the full scope components contributed 81% (2021: 71%) of the Group's Profit before tax, 95% (2021: 94%) of the Group's Revenue and 83% (2021: 84%) of the Group's Total assets. The specific scope component contributed 12% (2021: 24%) of the Group's Profit before tax, 4% (2021: 5%) of the Group's Revenue and 15% (2021: 12%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

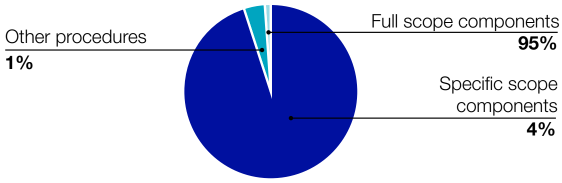
Of the remaining 39 components that together represent 7% of the Group's Profit before tax, none are individually greater than 4% of the Group's Profit before tax. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

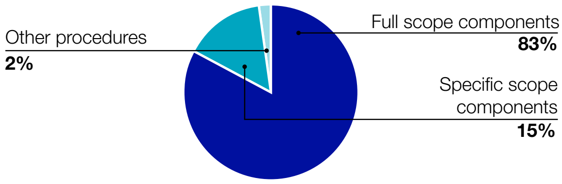
Profit before tax



Revenue



Total assets



Involvement with component teams

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

OVERVIEW STRATEGIC REPORT GOVERNANCE FINANCIALS SHAREHOLDERS

Climate change

Stakeholders are increasingly interested in how climate change will impact Henry Boot PLC. The Group has determined that the most significant future impacts from climate change on their operations will be from various factors that are explained on pages 72 to 75 in the required TCFD on page 52 in the principal risks and uncertainties. They have also explained their climate commitments on page 35. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the Basis of preparation note how they have reflected the impact of climate change in their financial statements. Significant judgements and estimates relating to climate change are included on page 161.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 72 to 75 and the significant judgements and estimates disclosed on page 161 and whether these have been appropriately reflected in asset values and associated disclosures. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have considered the impact of climate change on the financial statements to impact certain key audit matters. Details of our procedures and findings are included in our explanation of the valuation of investment properties key audit matter below.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of contract balances and associated revenue and profit recognition *Refer to the Audit & Risk Committee Report (page 112); Accounting policies (page 162); and Notes 1, 17 and 21 of the Consolidated Financial Statements (pages 169, 187 and 190)* The Group has reported revenues from construction and development contracts for the year of £154.7m (2021 - £78.8m) and cost of sales of £140.1m (2021 - £84.1m). The Group has reported contract assets of £19.3m (2021 - £7.5m) and contract liabilities of £4.0m (2021 - £5.0m). For construction and development contract activity the performance obligation is satisfied over time. This means that revenue is recognised by measuring the progress towards completing the performance obligation satisfactorily. This assessment requires management to estimate the stage of completion of construction and development contract activity and assess costs to complete. Forecasting is highly subjective and is an area that could lead to misstatement of revenue, profit and related construction and development contract balances either through error or management bias.	We performed a walkthrough to understand the key processes and identify key controls. We challenged the cost to complete assumptions by: • Holding discussions with project managers and quantity surveyors to understand the basis for the assumptions and for a sample of incomplete contracts, attending the year end valuation meetings where the costs to complete are challenged internally; • Testing a sample of costs to complete by agreeing through to purchase order, contract or other evidence; • Understanding the nature of costs to come and evaluating the split between fixed and variable costs to assess the cost volatility risk; • For contracts where costs with sub-contractors are fixed, we assessed management's consideration of key supplier resilience; and • We obtained the post year end Cost Variance Reports ('CVR's') to ascertain whether there had been any unfavourable or favourable margin movements that should have been reflected at year end. We performed sensitivity analysis to determine what level of cost increase or project delays would be required to have a material impact on the amounts recognised as revenue and cost of sales in the year. We recalculated the percentage completion and margin recognised in the year. We analysed historical accuracy of forecasting by comparing original forecast margins to their final actual margins on contracts completed in the year. We agreed total expected revenue for the contract through to signed contracts and approved variation orders. We tested costs incurred in the period to third party invoices and the allocation of costs to the correct contracts. We visited the three largest contract sites to gain a deeper understanding of the projects and to identify any contra-indicators of the stage of completion through inspection and discussion with the onsite project managers. We agreed key contractual terms to customer contracts. We reviewed board minutes and the legal claims log to determine whether there are any claims not reflected in the year end contract assessments. We assessed the completeness of onerous contracts to ensure that these are accounted correctly in line with IAS 37. **We performed full and specific scope audit procedures over this risk area in two components, which covered 100% of the risk amount.**	Based on our audit procedures we have concluded that the contract balances, revenue and profit recognised in the year are not materially misstated.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of house building inventories and profit recognition *Refer to the Audit Committee Report (page 112); Accounting policies (page 165); and Note 20 of the Consolidated Financial Statements (page 189)* The Group holds house building inventories of £80.6m (2021 - £52.5m). There is a risk that the margin used to recognise profit on each development is incorrect and that the carrying value of inventory could be subject to impairment write downs. The carrying value of inventory is determined by reference to a number of assumptions inherent in the site forecasts, such as costs to complete and expected selling price. These are used to calculate the expected margin on each development and the cost of sale recorded when a plot is sold. There is a risk that these assumptions may be subject to management override or error.	We performed a walkthrough to understand the key process and identified key controls. For completed sites, we compared the budgeted and actual costs and margin to assess the historical accuracy of management's forecasting and used this to profile where the greatest risk lies in the cost of sales recognised in the year. We tested a sample of costs incurred in the year to purchase invoice and checked they were allocated to the appropriate site. We challenged the cost to complete assumptions on all incomplete sites by performing the following procedures; • We held a meeting with the commercial director to assess the status and performance to date of the active sites and the basis for the cost to complete assumptions made, including understanding the reasons behind any excess costs or savings recognised on the site since the initial forecast. This also enabled us to challenge whether the costs to complete assumptions include future market indicators of inflation and raw material cost increases; • We tested a sample of costs to complete by agreeing through to third party support (e.g. tender, purchase order); • We compared the original budgeted margin to the current expected site margin to assess the historical accuracy of management's forecasting and the impact on cost of sales; • We compared the margin recognised to date to the current expected site margin to identify any significant deviations. Where there were significant deviations we understood the drivers and substantiated these; • We performed a stress test to see by how much costs to complete would have to change to have material impact on the margin recognised in the financial statements; and • Where available, we inspected the post year end site forecasts to ascertain whether there had been any significant margin movements that should have been reflected at year end. • We challenged the expected selling price assumptions on all incomplete sites by performing the following procedures; • We held a meeting with the commercial director to assess the basis for the expected selling price assumptions made. This enabled us to challenge whether the expected selling price assumptions include future market indicators for house prices; • We inspected industry publications to assess expectations regarding house prices to identify any contradictory evidence for the expected selling price; and • We tested a sample of expected selling prices to the current market price on the external website or the most recent selling price for the same/similar house type. We performed a stress test to see what expected selling prices would have to change by to result in a material write down to inventory. We performed full and specific scope audit procedures over this risk area in one component which covered 100% of the risk amount.	Based on our audit procedures we have concluded that the house building inventory balance and profit recognised in the year are not materially misstated.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of investment properties *Refer to the Audit Committee Report (page 112); Accounting policies (page 164); and Note 14 of the Consolidated Financial Statements (pages 180 to 184)* The Group holds Investment property of £97.1m (2021 - £104.2m). There is a risk that the carrying value of investment properties is misstated, given that the carrying value of these assets is based on a number of assumptions which contain inherent uncertainties and which require management judgement. Uncertainties in the valuations include yields, market rent, actual rent achieved and commercial property values amongst other building specific assumptions. In addition, there is a risk that management inappropriately override the valuation determined by the external valuer.	We performed walkthroughs to understand the key process and identify key controls. This is done by selecting relevant transactions and tracing them through the process. For a sample of investment properties, we used our internal EY valuations specialists to assess the appropriateness of the valuations provided by Management's specialist valuer. We assessed these through reading the external valuer reports and testing the underlying data used by the external valuer in forming their valuation. This included validating key assumptions around rent, yields and commerical property values to supporting third party evidence or market activity, and by holding discussions directly with the external valuer to confirm their valuation approach, including their consideration of climate risk. We also considerd if there was any contrary evidence to management's valuations. Where applicable, we tested a sample of properties in the course of construction by agreeing the valuation through to relevant agreements and progress reports. Tested the appropriateness of any material adjustments from the valuation determined by the external valuer to the book value recorded. We performed full and specific scope audit procedures over this risk area in six components, which covered 98% of the risk amount.	Based on our audit procedures we have concluded that the contract balances, revenue and profit recognised in the year are not materially misstated.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.4 million (2021: £1.8 million), which is 5% (2021: 5%) of Profit before tax (2021: Profit before tax). We believe that Profit before tax provides us with an appropriate basis of materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors

We determined materiality for the Parent Company to be £2.4 million (2021: £2.0 million), which is 2% (2021: 2%) of Equity (2021: Equity). The increase in materiality is due to dividends received from subsidiaries in the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £1.8m (2021: £1.3m). We have set performance materiality at this percentage due to this being a recurring audit with a history of few misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.4m to £1.8m (2021: £0.3m to £1.3m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2021: £0.09m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 143, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 57;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 57;

- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 57;
- Directors' statement on fair, balanced and understandable set out on page 137;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 50 to 56;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 111 to 114; and;
- The section describing the work of the audit committee set out on page 111 to 114.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 143, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006), the relevant tax compliance regulations in the UK, employment law and building safety regulations
- We understood how Henry Boot PLC is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk, as set out in the Key Audit Matters section above. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Group management and Internal Audit; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018.

A further description of our responsibilities for the audit of the financial statements is located on the

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the company on 26 May 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 December 2020 to 31 December 2022.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

VICTORIA VENNING (SENIOR STATUTORY AUDITOR)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

12 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	**2022 £'000**	2021 £'000
Revenue	1	**341,419**	230,598
Cost of sales		**(259,829)**	(175,052)
Gross profit		**81,590**	55,546
Administrative expenses		**(36,143)**	(32,174)
Pension expenses	4	**(4,312)**	(6,039)
		41,135	17,333
(Decrease)/increase in fair value of investment properties	14	**(4,921)**	7,972
Profit on sale of investment properties		**646**	1,340
Loss on sale of assets held for sale		**(149)**	—
Share of profit of joint ventures and associates	16	**9,079**	8,928
Profit on disposal of joint ventures	16	**667**	—
Operating profit	3	**46,457**	35,573
Finance income	5	**1,641**	724
Finance costs	6	**(2,503)**	(1,155)
Profit before tax		**45,595**	35,142
Tax	7	**(7,725)**	(4,482)
Profit for the year from continuing operations		**37,870**	30,660
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	**315**	—
Deferred tax on property revaluations	19	**(23)**	(282)
Actuarial gain on defined benefit pension scheme	27	**14,994**	23,297
Deferred tax on actuarial gain	19	**(3,749)**	(4,840)
Total other comprehensive income not being reclassified to profit or loss in subsequent years		**11,537**	18,175
Total comprehensive income for the year		**49,407**	48,835
Profit for the year attributable to:			
Owners of the Parent Company		**33,319**	28,160
Non-controlling interests		**4,551**	2,500
		37,870	30,660
Total comprehensive income attributable to:			
Owners of the Parent Company		**44,856**	46,335
Non-controlling interests		**4,551**	2,500
		49,407	48,835
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**25.0p**	21.2p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	**24.6p**	20.9p

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

		Group		Parent Company	
	Note	2022 £'000	2021 (restated[1]) £'000	2022 £'000	2021 (restated[1]) £'000
Assets					
Non-current assets					
Intangible assets	11	**2,933**	3,716	**—**	—
Property, plant and equipment	12	**28,766**	26,349	**380**	317
Right-of-use assets	13	**997**	1,581	**63**	76
Investment properties	14	**97,116**	104,177	**—**	—
Investments	15	**—**	—	**37,771**	37,771
Investment in joint ventures and associates	16	**9,990**	12,165	**—**	—
Retirement benefit asset	27	**6,188**	—	**6,188**	—
Trade and other receivables	18	**37,029**	37,107	**185,206**	176,689
Deferred tax assets	19	**249**	3,389	**307**	3,522
		183,268	188,484	**229,915**	218,375
Current assets					
Inventories	20	**291,778**	235,296	**—**	—
Contract assets	17	**19,257**	7,556	**—**	—
Trade and other receivables	18	**66,601**	64,615	**40,149**	27,845
Current tax receivable		**—**	1,828	**—**	1,551
Cash		**17,401**	11,116	**10,316**	2,691
		395,037	320,411	**50,465**	32,087
Liabilities					
Current liabilities					
Trade and other payables	22	**95,827**	72,155	**89,308**	86,173
Contract liabilities	21	**4,006**	5,033	**—**	—
Current tax liabilities		**3,793**	—	**2,356**	—
Borrowings	25	**65,000**	50,000	**65,009**	50,000
Lease liabilities	13	**426**	639	**34**	41
Provisions	26	**4,003**	5,427	**—**	—
		173,055	133,254	**156,707**	136,214
Net current assets/(liabilities)		**221,982**	187,157	**(106,242)**	(104,127)
Non-current liabilities					
Trade and other payables	22	**4,568**	1,669	**—**	—
Lease liabilities	13	**607**	1,021	**30**	37
Retirement benefit obligations	27	**—**	12,228	**—**	12,228
Deferred tax liability	19	**4,401**	4,582	**1,548**	—
Provisions	26	**1,385**	855	**—**	—
		10,961	20,355	**1,578**	12,265
Net assets		**394,289**	355,286	**122,095**	101,983
Equity					
Share capital	29	**13,763**	13,732	**13,763**	13,732
Property revaluation reserve	30	**2,352**	2,060	**—**	—
Retained earnings	30	**365,692**	328,348	**100,680**	81,414
Other reserves	30	**7,482**	6,744	**8,619**	7,881
Cost of shares held by ESOP trust	31	**(967)**	(1,044)	**(967)**	(1,044)
Equity attributable to owners of the Parent Company		**388,322**	349,840	**122,095**	101,983
Non-controlling interests		**5,967**	5,446	**—**	—
Total equity		**394,289**	355,286	**122,095**	101,983

[1] See 'prior year restatements' on page 159.

The Parent Company made a profit for the year of £15,987,000 (2021: £8,938,000).

The Financial Statements on pages 155 to 206 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 12 April 2023.

On behalf of the Board

Tim Roberts
Director

Darren Littlewood
Director

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2022

		Attributable to owners of the Parent Company							
Group	Note	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2021		13,718	2,342	288,514	6,404	(1,176)	309,802	3,686	313,488
Profit for the year	30	—	—	28,160	—	—	28,160	2,500	30,660
Other comprehensive income		—	(282)	18,457	—	—	18,175	—	18,175
Total comprehensive income		—	(282)	46,617	—	—	46,335	2,500	48,835
Equity dividends	10	—	—	(7,620)	—	—	(7,620)	(740)	(8,360)
Proceeds from shares issued		14	—	—	340	—	354	—	354
Share-based payments	30, 31	—	—	837	—	132	969	—	969
		14	—	(6,783)	340	132	(6,297)	(740)	(7,037)
At 31 December 2021		13,732	2,060	328,348	6,744	(1,044)	349,840	5,446	355,286
Profit for the year	30	**—**	**—**	**33,319**	**—**	**—**	**33,319**	**4,551**	**37,870**
Other comprehensive income		**—**	**292**	**11,245**	**—**	**—**	**11,537**	**—**	**11,537**
Total comprehensive income		**—**	**292**	**44,564**	**—**	**—**	**44,856**	**4,551**	**49,407**
Equity dividends	10	**—**	**—**	**(8,383)**	**—**	**—**	**(8,383)**	**(4,030)**	**(12,413)**
Proceeds from shares issued		**31**	**—**	**—**	**738**	**—**	**769**	**—**	**769**
Share-based payments	30, 31	**—**	**—**	**1,163**	**—**	**77**	**1,240**	**—**	**1,240**
		31	**—**	**(7,220)**	**738**	**77**	**(6,374)**	**(4,030)**	**(10,404)**
At 31 December 2022		**13,763**	**2,352**	**365,692**	**7,482**	**(967)**	**388,322**	**5,967**	**394,289**

Parent Company	Note	Share capital £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total equity £'000
At 1 January 2021		13,718	61,357	7,541	(1,176)	81,440
Profit for the year	8	—	8,938	—	—	8,938
Other comprehensive expense		—	18,457	—	—	18,457
Total comprehensive expense		—	27,395	—	—	27,395
Equity dividends	10	—	(7,620)	—	—	(7,620)
Proceeds from shares issued		14	—	340	—	354
Share-based payments	31	—	282	—	132	414
		14	(7,338)	340	132	(6,852)
At 31 December 2021		13,732	81,414	7,881	(1,044)	101,983
Profit for the year	8	**—**	**15,987**	**—**	**—**	**15,987**
Other comprehensive income		**—**	**11,245**	**—**	**—**	**11,245**
Total comprehensive income		**—**	**27,232**	**—**	**—**	**27,232**
Equity dividends	10	**—**	**(8,383)**	**—**	**—**	**(8,383)**
Proceeds from shares issued		**31**	**—**	**738**	**—**	**769**
Share-based payments	30	**—**	**417**	**—**	**77**	**494**
		31	**(7,966)**	**738**	**77**	**(7,120)**
At 31 December 2022		**13,763**	**100,680**	**8,619**	**(967)**	**122,095**

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2022

	Note	Group 2022 £'000	Group 2021 £'000	Parent Company 2022 £'000	Parent Company 2021 £'000
Cash flows from operating activities					
Cash generated from operations	32	**(16,549)**	(38,665)	**(10,473)**	(9,037)
Interest paid		**(1,829)**	(792)	**(3,031)**	(2,272)
Tax paid		**(2,918)**	(4,299)	**(1,500)**	(2,750)
Net cash flows from operating activities		**(21,296)**	(43,756)	**(15,004)**	(14,059)
Cash flows from investing activities					
Purchase of intangible assets	11	**—**	(203)	**—**	—
Purchase of property, plant and equipment	12	**(971)**	(861)	**(205)**	(280)
Capital expenditure on investment property	14	**(9,301)**	(17,317)	**—**	—
Purchase of investment in associate	16	**(2,112)**	(2)	**—**	—
Proceeds on disposal of property, plant and equipment (excluding equipment held for hire)		**270**	301	**—**	—
Proceeds on disposal of assets held for sale		**10,987**	—	**—**	
Proceeds on disposal of investment properties		**8,146**	6,651	**—**	—
Advances of loans to joint ventures and associates		**(8,560)**	(12,999)	**—**	—
Repayment of loans from joint ventures and associates		**10,904**	—	**—**	—
Advances made to subsidiary undertakings		**—**	—	**(22,676)**	(87,409)
Repayments received from subsidiary undertakings		**—**	—	**10,677**	15,185
Proceeds on disposal of investment in joint ventures	16	**6,873**	4,252	**—**	—
Interest received		**1,153**	129	**85**	4,544
Dividends received from joint ventures and subsidiaries	16, 8	**7,160**	2,155	**26,491**	14,530
Net cash flows from investing activities		**24,549**	(17,894)	**14,372**	(53,430)
Cash flows from financing activities					
Proceeds from shares issued		**769**	354	**769**	354
Movement in payables from joint ventures and associates		**355**	(701)	**—**	—
Advances received from subsidiary undertakings		**—**	—	**4,713**	5,007
Repayments made to subsidiary undertakings		**—**	—	**(3,803)**	(7,625)
Repayment of borrowings		**(70,000)**	(14,969)	**(70,000)**	(5,000)
Proceeds from new borrowings		**85,000**	55,000	**85,000**	55,000
Principal elements of lease payments		**(679)**	(683)	**(48)**	(130)
Dividends paid – ordinary shares	10	**(8,362)**	(7,599)	**(8,362)**	(7,599)
– non-controlling interests		**(4,030)**	(740)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**3,032**	30,641	**8,248**	39,986
Net increase/(decrease) in cash and cash equivalents		**6,285**	(31,009)	**7,616**	(27,503)
Cash and cash equivalents at beginning of year		**11,116**	42,125	**2,691**	30,194
Cash and cash equivalents at end of year		**17,401**	11,116	**10,307**	2,691

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

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

Basis of preparation and statement of compliance

The Consolidated Financial Statements of the Group and the Financial Statements of the Parent Company have been prepared in accordance with UK-adopted International Accounting Standards. They have been prepared on the historical cost basis, except for financial instruments, investment properties and Group occupied land and buildings, which are measured at fair value.

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

The Group has considered the impact of climate change when preparing the financial statements. In particular, the potential effect on balance sheet assets arising from either future physical or transition risk. Having undertaken this process we are satisfied no impairments are required at this time, largely due to the natural churn and development of property assets, continued investment and replacement of plant hire equipment and the consideration of appraisal processes on land acquisitions.

Prior year restatements

Amounts owed by Group undertakings (parent only) and joint ventures and associates

Amounts owed by Group undertakings (parent only) and joint ventures and associates have been restated for the period ended 31 December 2021. The Group previously recognised amounts owed by Group undertakings (parent only) and joint ventures and associates as been entirely due within one year on the basis these amounts were repayable on demand. Following a review of the Group's historic practice and future plans not to call on all intercompany receivables in the short term, £176,689,000 of current intercompany receivables (parent only) and £23,803,000 of amounts owed by joint ventures and associates at 31 December 2021 have been reclassified to non-current in line with IAS 1. There is no impact on the Consolidated Statement of Comprehensive Income, Statement of Changes in Equity or Statement of Cash Flows. The impact on the 31 December 2020 balance sheet would be to reclassify £102,181,000 of current intercompany receivables (parent only) and £10,300,000 of amounts owed by joint ventures and associates to non-current receivables.

Government loans

The Group's borrowings and trade receivables have been restated for the period ended 31 December 2021. The Group previously recognised a government loan payable to the Homes and Communities Agency (HCA) amounting to £2,941,000 (2020: £2,941,000) and a corresponding trade receivable from the related housebuilder. Following legal guidance on the nature of the agreement it has been concluded that the Group has no residual obligation to the HCA in respect of the loan which is payable directly by the related housebuilder and therefore no rights to receive a corresponding trade receivable from the related housebuilder. This has resulted in previously reported borrowings reducing by £2,941,000 and trade receivables decreasing by the same. There is no impact on the Consolidated Statement of Comprehensive Income, Statement of Changes in Equity or Statement of Cash Flows. The impact on the 31 December 2020 balance sheet would be to decrease borrowings and trade receivables by £2,941,000.

Consolidation

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

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the Accounting Policies used in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or to the effective date of disposal. Non-controlling interests in the fair value of the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment.

Going concern

In undertaking their going concern review, which covers the period to December 2024, the Directors considered the Group's principal risk areas that they consider material to the assessment of going concern.

As the UK economy moves at a slow pace, the Directors have assessed the Group's ability to operate in a more uncertain environment in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario, including further curtailments in activities. This downside scenario shows a c.50% reduction in sales and c.67% reduction in profits from the base case. Construction and Development activity only takes place where contracted and likewise for Hallam Land where no sales are assumed in 2023 unless already contracted. For Stonebridge Homes a 10% decline in house prices is assumed along with a 25% reduction in the number of plots sold and Banner Plant revenue declines c.25%. This downside model assumes that acquisition and development spend is restricted other than that already committed and is all consistent with previous experience in recessionary environments. Having started 2023 with net debt of £48.6m, and with c.£63.2m net debt at 28 February 2023, against facilities of £105.0m the Directors have concluded that the Group is able to control the level of uncommitted expenditure, whilst delivering contracted schemes, allowing it to retain and even improve the cash position in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Group meets its day-to-day working capital requirements through a secured loan facility. The facility was renewed on 23 January 2020, at a level of £75m, for a period of three years and extended by one year in January 2021 and a further year in January 2022 taking the facility renewal to 23 January 2025 on the same terms as the existing agreement. The facility includes an accordion to increase the facility by up to £30m, which was called on by the Group on 9 October 2022, increasing the overall facility to £105m. None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 50% reduction in revenue and near 67% reduction in profit before tax from our base case for 2023, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2024.

At the time of approving the Financial Statements, the Directors expect that the Company and the Group will have adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Strategic Report on pages 56 and 57.

Operating segments

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

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

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

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

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

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

Joint ventures and associates

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

Business combinations and goodwill

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

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Subsequent changes in fair value of contingent consideration classified as a financial asset or financial liability are accounted for in accordance with IFRS 9. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised in the Consolidated Statement of Comprehensive Income as incurred.

Goodwill arising on consolidation of subsidiary undertakings is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is subjected to an impairment test at the reporting date or when there has been an indication that the goodwill should be impaired, any loss is recognised immediately through the Consolidated Statement of Comprehensive Income and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which goodwill arose.

Critical judgements and estimates

The critical judgements and estimates in applying the Group's Accounting Policies that have the most significant effect on the amounts recognised in the Financial Statements, apart from those noted below, relate to revenue recognition and inventories. These are referred to on page 163 and each is interpreted by management in the light of IFRS 15 'Revenue from Contracts with Customers' and IAS 2 'Inventories'.

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

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

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer and excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. Where consideration is not specified within the contract and therefore subject to variability, the Group estimates the amount of consideration to be received from its customer. The consideration recognised is the amount which is highly probable not to result in a significant reversal in future periods. Where a modification to an existing contract occurs, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied by the Group or whether it is a modification to the existing performance obligation.

The Group has some contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. The Group adjusts its transaction price for the time value of money.

The Group's activities are wide-ranging, and, as such, depending on the nature of the product or service delivered and the timing of when control is passed to the customer, the Group will account for revenue over time or at a point in time. Where revenue is measured over time, the Group uses the input method to measure progress of delivery.

Product and Service	Nature, timing of satisfaction of performance obligations and significant payment terms.
Construction contracts	Typically, the Group's construction contracts consist of one performance obligation, being delivery of the construction works. However, for certain contracts (for example where contracts involve separate phases or products that are not highly interrelated), multiple performance obligations exist. Where multiple performance obligations exist, total transaction price is allocated to performance obligations based on the relative standalone selling prices of each performance obligation. Revenue attributed to each performance obligation is recognised over time based on the percentage of completion, as the benefit is transferred to the customer, reflecting the enhancement in value of the customer's asset. The percentage of completion is calculated as the costs incurred to date as a percentage of the total costs expected to satisfy the performance obligation. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the percentage of completion calculation in the period in which the circumstances that give rise to the revision become known. Losses are recorded in full when the unavoidable costs of fulfilling a contract exceed the economic benefits. Any revenues recognised in excess of amounts invoiced are recognised as contract assets within current assets. Any payments received in excess of revenue recognised are recognised as contract liabilities within current liabilities.
Sale of land and properties	Revenue from the sale of land and properties is generally a single performance obligation which is satisfied at the point in time when control of the land and properties has passed, typically on legal completion when legal title has transferred. Land and properties are treated as disposed when control of the asset is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion. Variable consideration such as overages are estimated based on the amount of consideration the Group expects to be entitled to, taking into account the terms which may give rise to variability and it is only recognised where it is highly probable there will not be a significant future reversal. This is estimated at contract inception and reassessed over the life of the contract. Revenue includes the fair value of consideration received or receivable on the sale of part exchange properties.
PFI Concession	Revenue from the Group's PFI concession is recognised at the point in time, by the calculation of 'shadow tolls' based on individual vehicle usage of the A69. The concession is accounted for in accordance with IFRIC 12 'Service Concession Arrangements' using the intangible asset model.
Operating leases (recognised as income under IFRS 16 'Leases')	Revenue from operating leases is recognised on a straight-line basis over the lease term, except for contingent rental income which is recognised in the period in which it was earned. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction to revenue.
Plant and equipment hire (recognised as income under IFRS 16 'Leases')	Revenue from plant and equipment hire is measured as the fair value of rental proceeds which relate to the period of account.

Critical judgements and estimates in applying IFRS 15 Revenue from Contracts with Customers

The following are the critical judgements and estimates in applying accounting policies that the Directors have made in the process of applying IFRS 15 Revenue from Contracts with Customers and that have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

Estimates in determining the recognition of revenue on construction contracts over time – construction contract revenue is recognised in accordance with the stage of completion of the contract where the contract's outcome can be estimated reliably. The principal method used to recognise the stage of completion is the input method using cost incurred to date as a percentage of estimated total costs to complete. The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract by an in-house or external survey of the work.

Judgement in determining the recognition of revenue at a point in time on land sale contracts – there is often judgement involved in evaluating when a customer obtains control of land during a sale, particularly where the contract includes licensing (or the granting early access to housebuilders before completion), risk or deferred payment term clauses. In determining the revenue recognition the Directors consider the present right for payment, legal title, physical possession, risks and rewards of ownership and acceptance of the asset in forming their opinion. Where necessary third party advice is taken.

Interest income and expense

Interest income and expense are recognised within 'Finance income' and 'Finance costs' in the Consolidated Statement of Comprehensive Income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen not to capitalise borrowing costs on all qualifying assets which are measured at fair value.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Leasing

Where the Group acts as a lessor in the case of operating leases, rentals receivable are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability: The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets: The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group's existing impairment accounting policy.

Share-based payments

Equity-settled share-based payments to employees of the Company and its subsidiary undertakings are measured at fair value of the equity instruments at the date of grant and are expensed on a straight-line basis over the vesting period. Fair value is measured by a Monte Carlo pricing model, taking into account any market performance conditions and excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29. At each reporting period date, the Group estimates the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity reserves.

SAYE share options are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

Intangible assets excluding goodwill

Intangible assets are stated at cost less accumulated amortisation and impairment. The PFI asset which is accounted for under IFRIC 12 ‘Service Concession Arrangements’ represents the capitalised cost of the initial project, together with the capitalised cost of any additional major works to the road and structures, which are then amortised, on a straight-line basis, over 20 years or the remaining life of the concession. The concession lasts a period of 30 years and has a further three years to run.

Property, plant and equipment

Group occupied properties are stated in the Statement of Financial Position at their revalued amounts, being the fair value, based on market values, less any subsequent accumulated depreciation or subsequent accumulated impairment loss. Fair value is determined annually by independent valuers. Surpluses on revaluations are recorded in OCI and credited to the revaluation reserve. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to profit or loss in the Consolidated Statement of Comprehensive income.

In respect of land and buildings, depreciation is provided where it is considered significant, having regard to the estimated remaining useful lives and residual values of individual properties.

Equipment held for hire, vehicles and office equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset plus any costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, mainly at the following annual rates:

- Equipment held for hire – between 6% and 50%
- Vehicles – between 10% and 25%
- Office equipment – between 25% and 33%

Investment property

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

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

At each subsequent reporting date, investment properties are remeasured to their fair value; further information regarding the valuation methodologies applied can be found in note 14 to the Financial Statements. Movements in fair value are included in the Consolidated Statement of Comprehensive Income.

Where the Group employs professional valuers, the valuations provided are subject to a comprehensive review to ensure they are based on accurate and up-to-date tenancy information. Discussions are also held with the valuers to test the valuation assumptions applied and comparable evidence utilised to ensure they are appropriate in the circumstances.

Subsequent expenditure is capitalised to the asset’s carrying value only where it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other expenditure is expensed to the Consolidated Statement of Comprehensive Income in the period in which it arises.

Investment property is derecognised when it is disposed of at its carrying value.

Where specific investment properties have been identified as being for sale within the next 12 months, a sale is considered highly probable and the property is immediately available for sale, their fair value is shown under assets classified as held-for-sale within current assets, measured in accordance with the provisions of IAS 40 ‘Investment Property’.

Inventories

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

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

- Property developments in progress includes properties being developed for onward sale.
- Housebuilder land and work in progress includes construction of residential housing for onward sale.
- Land held for development or sale is land owned by the Group that is promoted through the planning process in order to gain planning permission, adding value to the land.
- Options to purchase land are agreements that the Group entered into with the landowners whereby the Group has the option to purchase the land within a limited time frame. The landowners are not generally permitted to sell to any other party during this period, unless agreed to by the Group. Within the time frame the Group promotes the land through the planning process at its expense in order to gain planning permission. Should the Group be successful in obtaining planning permission it would trigger the option to purchase and subsequently sell on the land.
- Planning promotion agreements are agreements that the Group has entered into with the landowners, whereby the Group acts as promoter for the landowners in exchange for a fee of a set percentage of the proceeds or profit of the eventual sale. The Group promotes the land through the planning process at its own expense. If the land is sold the Group will receive a fee for its services.
- The Group capitalises various costs in promoting land held under planning promotion agreements. In some instances the agreements allow for the Group to be reimbursed certain expenditure following the conclusion of a successful sale, at which point the reimbursed costs are recognised as revenue. These costs are held in inventory at the lower of cost and estimated net realisable value.

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

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

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

Where individual parcels of land held for development are disposed of out of a larger overall development site, costs are apportioned based on an acreage allocation after taking into account the cost or net realisable value of any remaining residual land which may not form part of the overall development site or which may not be available for development. Where the Group retains obligations attached to the development site as a whole, provisions are made relating to these disposals on the same acreage allocation basis.

Critical judgements and estimates in applying IAS 2 Inventories

The following are the critical estimates in applying accounting policies that the Directors have made in the process of applying IAS 2 Inventories and that have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

Estimates in determining the carrying value of work in progress inventory – there is often estimation involved in forecasting future costs to complete and selling prices which can be affected by market conditions and unexpected events. In determining the carrying value the Directors consider previous experience, communications with suppliers and market trends in forming their opinion. Where necessary third party advice is taken.

Assets classified as held for sale

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

Tax

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

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

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

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

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

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

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

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Financial instruments

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

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

The principal financial instruments are:

- Trade and other receivables are measured initially at fair value and then amortised cost — where the time value of money is material, receivables are amortised using the effective interest rate method (see Interest income and expense in notes 5 and 6). IFRS 9's simplified approach to provisioning is used to calculate the Group's lifetime expected credit loss;
- Cash and cash equivalents, which comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value with an original maturity of three months or less;
- Trade and other payables which are on normal credit terms, are not interest bearing and are stated at their nominal values — where the time value of money is material, payables are carried at amortised cost using the effective interest rate method (see Interest income and expense in notes 5 and 6); and
- Borrowings — see below.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred and amortised until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Government grants

Government grants are recognised at their fair value in the Consolidated Statement of Financial Position, within deferred income, where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants relating to revenue items are released to the Statement of Comprehensive Income and recognised within cost of sales over the period necessary to match the grant on a systematic basis to the costs that they are intended to compensate.

Government grants relating to capital items are released against the carrying value of the grant supported assets when the completion conditions of those assets are met.

Provisions

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

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

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

The land promotion provision represents management's best estimate of the Group's liability to provide infrastructure and services as a result of obligations which remain with the Group following the disposal of land. Where the infrastructure and services obligations relate to developments on which land is being disposed of over a number of phases, provisions are calculated based on an acreage allocation methodology taking into account the expected timing of cash outflows to settle the obligations.

The Group regularly reviews its contract obligations and whether they are considered to be onerous. In the event that the costs of meeting the obligations exceed the economic benefits expected to be received through the life of the development, a provision would be recognised based on the lower of the cost of fulfilling the contract or terminating the contract.

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

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

Specific details of the Group's provisions relating to land promotion and road maintenance can be found in note 26.

Retirement benefit costs

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

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

Share capital

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

Dividends

The Group recognises a liability to pay a final dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. Under UK company law a distribution is authorised when it is approved by the shareholders. An interim dividend is recognised when paid. A corresponding amount is then recognised directly in equity.

Impact of accounting standards and interpretations

At the date of authorisation of these Financial Statements, the following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2022:

		Effective from
IFRS 4 (amended 2020)	'Extension of the temporary exemption from applying IFRS 9'	Immediately available
IFRS 16 (amended 2021)	'Covid-related rent concessions beyond June 2021'	1 April 2021
IFRS 3 (amended 2020)	'Reference to the Conceptual Framework'	1 January 2022
IAS 16 (amended 2020)	'Proceeds before intended use'	1 January 2022
IAS 37 (amended 2020)	'Costs of fulfilling a contract'	1 January 2022
Annual Improvements (issued 2020)	'Annual improvements to IFRS standards 2018 - 2020'	1 January 2022

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

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

		Effective from
IFRS 17 (issued 2017)	'Insurance Contracts'	1 January 2023
IFRS 17 (amended 2020)	'Implementation challenges'	1 January 2023
IAS 1 (amended 2021)	'Disclosure of accounting policies'	1 January 2023
IAS 8 (amended 2021	'Definition of accounting estimates'	1 January 2023
IAS 12 (amended 2021)	'Deferred tax related to Assets and Liabilities arising from a single transaction'	1 January 2023
IFRS 17 (amended 2021)	'Initial application of IFRS 17 and IFRS 9	1 January 2023
IAS 1 (amended 2020)	'Classification of liabilities as current or non-current'	1 January 2024
IAS 1 (amended 2022)	'Non-current liabilities with covenants'	1 January 2024
IFRS 16 (amended 2022)	'Lease liability in a sale and leaseback'	1 January 2024

A review of the impact of these standards, amendments and interpretations has been conducted and the Directors do not believe that they will give rise to any significant financial impact.

In 2022, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

1. Revenue

Analysis of the Group's revenue is as follows:

Activity in the United Kingdom	2022 £'000	Timing of revenue recognition: At a point in time £'000	Timing of revenue recognition: Over time £'000	2021 £'000	Timing of revenue recognition: At a point in time £'000	Timing of revenue recognition: Over time £'000
Construction contracts:						
– Construction[1]	**97,571**	**–**	**97,571**	74,431	–	74,431
– Property Investment and Development[2]	**57,177**	**–**	**57,177**	4,405	–	4,405
Sale of land and properties:						
– Property Investment and Development[2]	**34,726**	**34,726**	**–**	9,622	9,622	–
– Housebuilder unit sales[2]	**70,631**	**70,631**	**–**	49,494	49,494	–
– Land Promotion[3]	**43,672**	**43,672**	**–**	58,410	58,410	–
PFI concession[1]	**13,590**	**13,590**	**–**	11,115	11,115	–
Revenue from contracts with customers	**317,367**	**162,619**	**154,748**	207,477	128,641	78,836
Plant and equipment hire[1]	**17,447**			17,129		
Investment property rental income[2]	**6,444**			5,772		
Other rental income – Property Investment and Development[2]	**12**			67		
Other rental income – Land Promotion[3]	**149**			153		
	341,419			230,598		

1 Construction segment

2 Property Investment and Development segment

3 Land Promotion segment

Contingent rents recognised as investment property rental income during the year amount to £435,000 (2021: £357,000).

2. Segment information

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's Accounting Policies. The Group's Principal Accounting Policies are described on pages 159 to 168.

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

Revenues from external sales are detailed in note 1.

2. Segment information continued

	2022					
Revenue	**Property Investment and Development £'000**	**Land Promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	**168,990**	**43,820**	**128,609**	**—**	**—**	**341,419**
Inter-segment sales	**290**	**—**	**4,453**	**386**	**(5,129)**	**—**
Total revenue	**169,280**	**43,820**	**133,062**	**386**	**(5,129)**	**341,419**
Gross profit	**36,488**	**24,320**	**20,720**	**99**	**(37)**	**81,590**
Administrative expenses and pension	**(16,142)**	**(6,971)**	**(8,636)**	**(8,743)**	**37**	**(40,455)**
Other operating income	**5,322**	**—**	**—**	**—**	**—**	**5,322**
Operating profit/(loss)	**25,668**	**17,349**	**12,084**	**(8,644)**	**—**	**46,457**
Finance income	**4,015**	**744**	**1,507**	**26,576**	**(31,201)**	**1,641**
Finance costs	**(2,226)**	**(213)**	**(374)**	**(3,373)**	**3,683**	**(2,503)**
Profit before tax	**27,457**	**17,880**	**13,217**	**14,559**	**(27,518)**	**45,595**
Tax	**(3,411)**	**(3,451)**	**(2,771)**	**1,908**	**—**	**(7,725)**
Profit for the year	**24,046**	**14,429**	**10,446**	**16,467**	**(27,518)**	**37,870**
Other information						
Capital additions	**9,450**	**—**	**5,884**	**392**	**—**	**15,726**
Depreciation of plant, property and equipment and right-of-use assets	**312**	**30**	**3,755**	**472**	**—**	**4,569**
Impairment	**(15)**	**—**	**203**	**—**	**—**	**188**
Amortisation of intangible assets	**—**	**—**	**580**	**—**	**—**	**580**
Decrease in fair value of investment properties	**4,921**	**—**	**—**	**—**	**—**	**4,921**
Provisions	**—**	**775**	**683**	**—**	**—**	**1,458**
Pension scheme credit	**—**	**—**	**—**	**(3,422)**	**—**	**(3,422)**

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

2. Segment information continued

	2022 £'000	2021 (restated[1]) £'000
Segment assets		
Property Investment and Development[2]	**355,491**	310,421
Land Promotion	**149,598**	142,655
Construction	**45,766**	43,205
Group overheads	**3,612**	2,323
	554,467	498,604
Unallocated assets		
Deferred tax assets	**249**	3,389
Current tax receivables	**—**	1,828
Retirement benefit asset	**6,188**	—
Cash and cash equivalents	**17,401**	11,116
Total assets	**578,305**	514,937
Segment liabilities		
Property Investment and Development	**59,113**	36,169
Land Promotion	**13,114**	11,523
Construction	**36,994**	40,418
Group overheads	**568**	3,071
	109,789	91,181
Unallocated liabilities		
Current tax liabilities	**3,793**	—
Deferred tax liabilities	**4,401**	4,582
Current lease liabilities	**426**	639
Current borrowings	**65,000**	50,000
Non-current lease liabilities	**607**	1,021
Retirement benefit obligations	**—**	12,228
Total liabilities	**184,016**	159,651
Total net assets	**394,289**	355,286

1 See 'prior year restatements' on page 159.

2 Includes investment in joint ventures and associates of £9,990,000 (2021: £12,165,000).

3. Operating profit

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

	2022 £'000	2021 £'000
Depreciation of property, plant and equipment (note 12)	**3,972**	3,534
Depreciation of right-of-use assets (note 13)	**597**	598
Impairment of goodwill included in administrative expenses (note 11)	**203**	203
Reversal of impairment of land and buildings included in administrative expenses (note 12)	**(75)**	—
Impairment of land and buildings included in administrative expenses (note 12)	**60**	285
Amortisation of PFI asset included in cost of sales (note 11)	**580**	602
Amortisation of capitalised letting fees (note 14)	**25**	41
Impairment losses recognised on trade receivables (note 18)	**432**	779
Decrease/(increase) in fair value of investment property (note 14)	**4,921**	(7,972)
Cost of inventories recognised as expense	**85,594**	80,241
Employee costs	**39,088**	38,439
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	**13**	12
Gross profit on sale of equipment held for hire	**(1,070)**	(981)
Gain on sale of other property plant and equipment	**(176)**	(16)
Loss on disposal of right-of-use assets	**1**	10

3. Operating profit continued

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

	2022 £'000	2021 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	**200**	167
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**330**	298
Total audit fees	**530**	465

4. Employee costs

	Group		Parent Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Wages and salaries	**29,671**	27,689	**5,130**	3,968
Share-based payment expense	**1,240**	968	**496**	413
Social security costs	**3,821**	3,448	**649**	593
Defined benefit pension costs (see note 27)	**989**	3,407	**989**	2,855
Defined contribution pension costs (see note 27)	**3,251**	2,521	**449**	316
Other pension costs	**72**	111	**22**	17
Other employee costs	**44**	295	**—**	—
	39,088	38,439	**7,735**	8,162

Included within 2021 employee costs is a £820,000 debit for repayment of furlough grant income from the Government's Job Retention Scheme introduced in response to the Covid pandemic.

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

	2022 Number	2021 Number
Property Investment and Development	**121**	112
Land Promotion	**35**	30
Construction	**149**	151
Plant Hire	**146**	137
Parent Company	**82**	66
	533	496

5. Finance income

	2022 £'000	2021 £'000
Interest on bank deposits	**146**	2
Interest on other loans and receivables	**1,007**	127
Unwinding of discounting: trade receivables	**488**	595
	1,641	724

6. Finance costs

	2022 £'000	2021 £'000
Interest on bank loans and overdrafts	2,136	747
Interest on other loans and payables	45	59
Unwinding of discounting: trade payables and borrowings	322	349
	2,503	1,155

7. Tax

	2022 £'000	2021 £'000
Current tax:		
UK corporation tax on profits for the year	8,690	2,752
Adjustment in respect of earlier years	(152)	(1,683)
Total current tax	8,538	1,069
Deferred tax (note 19):		
Origination and reversal of temporary differences	(813)	3,457
Adjustment in respect of prior years	–	105
Impact of rate change	–	(149)
Total deferred tax	(813)	3,413
Total tax	7,725	4,482

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year.

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

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

	2022 £'000	2021 £'000
Profit before tax	45,595	35,142

	2022 %	2021 %
Tax at the UK corporation tax rate	19.00	19.00
Effects of:		
Permanent differences	(0.80)	0.48
Capital gains	0.27	(0.78)
Impact of rate differences	–	(0.42)
Deferred tax adjustment in respect of prior years	–	0.30
Corporation tax adjustment in respect of earlier years	(0.33)	(4.79)
Joint venture results reported net of tax	(1.20)	(1.03)
Effective tax rate	16.94	12.76

The tax charge in the year is lower (2021: lower) than the standard rate of corporation tax predominantly due to joint ventures reported net of tax (2021: due to adjustments in respect of earlier years arising from additional loss relief on asset disposals).

7. Tax continued

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

	2022 £'000	2021 £'000
Deferred tax:		
– property revaluations	(23)	(282)
– actuarial gain	(3,749)	(4,840)
Total tax recognised in other comprehensive income/(expense)	(3,772)	(5,122)

8. Results of Parent Company

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these Financial Statements. The profit dealt with in the Financial Statements of the Parent Company and approved by the Board on 12 April 2023 is £15,987,000 (2021: £8,938,000) and includes dividends received from subsidiaries of £26,490,500 (2021: £14,530,000).

9. Earnings per ordinary share

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

	2022 £'000	2021 £'000
Profit for the year	37,870	30,660
Non-controlling interests	(4,551)	(2,500)
Preference dividend	(21)	(21)
	33,298	28,139

	2022 No.	2021 No.
Weighted average number of shares in issue	133,449,943	133,264,346
Less shares held by the ESOP on which dividends have been waived	(401,672)	(439,261)
Weighted average number for basic earnings per share	133,048,271	132,825,085
Adjustment for the effects of dilutive potential ordinary shares	2,290,780	2,645,458
Weighted average number for diluted earnings per share	135,339,051	135,470,543

	2022	2021
Basic earnings per share	25.0p	21.2p
Diluted earnings per share	24.6p	20.9p

The Group has two types of dilutive potential ordinary shares, being: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year; and expected future vesting of shares under the 2015 Long-Term Incentive Plan.

10. Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the year:		
Preference dividend on cumulative preference shares	21	21
Final dividend for the year ended 31 December 2021 of 3.63p per share (2020: 3.30p)	4,822	4,383
Interim dividend for the year ended 31 December 2022 of 2.66p per share (2021: 2.42p)	3,540	3,216
	8,383	7,620

The proposed final dividend for the year ended 31 December 2022 of 4.00p per share (2021: 3.63p) makes a total dividend for the year of 6.66p (2021: 6.05p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £5,300,000.

Notice has been received from Moore Street Securities Limited waiving its right as corporate trustee for the Employee Share Ownership Plan ('ESOP') to receive all dividends in respect of this and the previous financial year.

Dividends paid to non-controlling interests during the year amounted to £4,030,000 (2021: £740,000).

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2021	4,973	18,973	23,946
Additions at cost	—	203	203
At 31 December 2021 and 2022	**4,973**	**19,176**	**24,149**
Accumulated impairment losses and amortisation			
At 1 January 2021	3,324	16,304	19,628
Amortisation	—	602	602
Impairment losses for the year	203	—	203
At 31 December 2021	3,527	16,906	20,433
Amortisation	**—**	**580**	**580**
Impairment losses for the year	**203**	**—**	**203**
At 31 December 2022	**3,730**	**17,486**	**21,216**
Carrying amount			
At 31 December 2022	**1,243**	**1,690**	**2,933**
At 31 December 2021	1,446	2,270	3,716

The Group acquired the trade and assets of Premier Plant Tool Hire & Sales Limited on 30 March 2017. They were immediately hived up into the immediate parent company Banner Plant Limited, which sits in the Construction segment. The goodwill arising on the acquisition, which has a current net book value of £903,000 (2021: £903,000), represents the excess of consideration over net assets acquired and is subject to an impairment test at the reporting date. The cash generating units assessed for impairment are the Leicester depots of Banner Plant Limited, which were formerly Premier Plant Tool Hire & Sales Limited's only operational sites. Impairment calculations use pre-tax cash flow projections including revenue growth of 3.0% (2021: 3.0%) per annum into perpetuity which reflects past experience and management's future expectations. Management estimates discount rates that reflect current market assessments of the time value of money and risk specific to the cash generating unit of 5.0% (2021: 3.5%).

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition which has a current net book value of £340,000 (2021: £543,000) represents the excess of consideration over net assets acquired and is subject to an impairment test at the reporting date. This company's subsidiary, Road Link (A69) Limited, operates a PFI concession which comprises managing and maintaining the A69 Carlisle to Newcastle trunk road. The Company receives payment from National Highways based on the number and type of vehicles using the road. The concession lasts for a period of 30 years and has a further three years to run, at the end of which the road reverts to National Highways. Whilst the impairment test demonstrates significant headroom based on forecast levels of return being consistent with prior years, an impairment charge of £203,000 (2021: £203,000) has been recognised during the year. This reflects the fact that the PFI concession will revert to National Highways at the end of the 30-year period, at which point no goodwill should remain. There were no significant changes to these arrangements during the year.

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

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

12. Property, plant and equipment

Group	Land and buildings £'000	Equipment held for hire £'000	Vehicles £'000	Office equipment £'000	Total £'000
Cost or fair value					
At 1 January 2021	7,322	39,885	5,835	3,267	56,309
Additions at cost	—	5,952	473	388	6,813
Disposals	—	(2,449)	(976)	(47)	(3,472)
At 31 December 2021	7,322	43,388	5,332	3,608	59,650
Additions at cost	**55**	**5,454**	**612**	**304**	**6,425**
Disposals	**—**	**(3,275)**	**(597)**	**—**	**(3,872)**
Increase in fair value in year	**315**	**—**	**—**	**—**	**315**
At 31 December 2022	**7,692**	**45,567**	**5,347**	**3,912**	**62,518**
Being:					
Cost	**—**	**45,567**	**5,347**	**3,912**	**54,826**
Fair value at 31 December 2022	**7,692**	**—**	**—**	**—**	**7,692**
	7,692	**45,567**	**5,347**	**3,912**	**62,518**
Accumulated depreciation and impairment					
At 1 January 2021	427	26,394	2,842	2,828	32,491
Charge for year	—	2,474	786	274	3,534
Impairment	285	—	—	—	285
Eliminated on disposals	—	(2,271)	(692)	(46)	(3,009)
At 31 December 2021	712	26,597	2,936	3,056	33,301
Charge for year	**—**	**3,059**	**660**	**253**	**3,972**
Reversal of impairment	**(75)**	**—**	**—**	**—**	**(75)**
Impairment	**60**	**—**	**—**	**—**	**60**
Eliminated on disposals	**—**	**(3,002)**	**(504)**	**—**	**(3,506)**
At 31 December 2022	**697**	**26,654**	**3,092**	**3,309**	**33,752**
Carrying amount					
At 31 December 2022	**6,995**	**18,913**	**2,255**	**603**	**28,766**
At 31 December 2021	6,610	16,791	2,396	552	26,349

At 31 December 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,566,000 (2021: £3,420,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2022 by Jones Lang LaSalle Limited and Dove Haigh Phillips LLP in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £6,995,000 (2021: £6,610,000). Jones Lang LaSalle Limited and Dove Haigh Phillips LLP are professional valuers who hold recognised and professional qualifications and have recent experience in the location and category of the land and buildings being valued.

The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the yield method valuation technique. The yield method of valuation involves applying market-derived capitalisation yields, and the actual or market-derived future income streams where appropriate, with adjustments for letting voids or rent-free periods as applicable to each item of land and buildings.

On the historical cost basis, the land and buildings would have been included at a carrying amount of £4,339,000 (2021: £4,269,000).

12. Property, plant and equipment continued

The following table provides an analysis of the fair values of land and buildings by the degree to which the fair value is observable:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2022 £'000**	2021 £'000	**Increase in year £'000**
Freehold land	–	–	60	**60**	60	**–**
Buildings	–	–	6,935	**6,935**	6,550	**385**
Total fair value	–	–	6,995	**6,995**	6,610	**385**

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

Explanation of the fair value hierarchy:

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

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

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

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

Class		Buildings
Valuation technique		Yield
Rental value per sq ft (£)	– weighted average	6.92
	– low	3.31
	– high	16.25
Yield %	– weighted average	9.56
	– low	7.62
	– high	11.83

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

	Impact on valuation £'000 Buildings
Yield – improvement by 0.5%	360
Rental value per sq ft – increase of £1 average	1,000

The sensitivities have been selected by management on the basis that they consider these measures to be a reasonable expectation of likely changes to the significant unobservable inputs in the next 12 months.

12. Property, plant and equipment continued

Parent Company	Office equipment £'000
Cost	
At 1 January 2021	1,068
Additions	279
Disposals	—
At 31 December 2021	1,347
Additions	**205**
Disposals	**—**
At 31 December 2022	**1,552**
Accumulated depreciation	
At 1 January 2021	886
Charge for year	144
Disposals	—
At 31 December 2021	1,030
Charge for year	**142**
Disposals	**—**
At 31 December 2022	**1,172**
Carrying amount	
At 31 December 2022	**380**
At 31 December 2021	317

13. Leases

The Group as lessee

	Group		Parent Company	
Right-of-use assets	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Land and buildings	**775**	1,249	**—**	—
Vehicles	**1**	2	**16**	11
Office equipment	**221**	330	**47**	65
	997	1,581	**63**	76
Lease liabilities				
Due within one year	**426**	639	**34**	41
Due after more than one year	**607**	1,021	**30**	37
	1,033	1,660	**64**	78
Contractual maturities of lease liabilities including future interest:				
On demand or within one year	**449**	676	**35**	42
In the second year	**282**	447	**14**	27
In the third to fifth years inclusive	**322**	564	**16**	11
In more than five years	**31**	63	**—**	—
Total contractual cash flows	**1,084**	1,750	**65**	80
Future finance charges on lease liabilities	**(51)**	(90)	**(1)**	(2)
Present value of contractual cash flows	**1,033**	1,660	**64**	78

Additions to the right-of-use assets during the 2022 financial year were £14,000 (2021: £69,000) for the Group and £32,000 (2021: £65,000) for the Parent Company.

13. Leases continued

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

	Group		Parent Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Depreciation charge of right-of-use assets				
Land and buildings	**474**	470	**–**	–
Vehicles	**1**	5	**14**	23
Office equipment	**122**	123	**31**	30
	597	598	**45**	53
Interest expense (included in finance cost)	**40**	58	**2**	3

The total cash outflow for leases in 2022 was £679,000 (2021: £683,000) for the Group and £48,000 (2021: £131,000) for the Parent Company.

The Group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 4 to 10 years and may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

13. Leases continued

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss and amount to £nil (2021: £nil) in the period. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Cash outflows during the period related to these leases equal the rent expense and are included within operating activities in the Statement of Cash Flows.

The Group as lessor

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

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

	2022 £'000	2021 £'000
Within one year	**5,186**	4,048
Between 1-2 years	**4,672**	4,803
Between 2-3 years	**4,477**	3,898
Between 3-4 years	**4,137**	3,105
Between 4-5 years	**3,583**	2,706
More than five years	**32,989**	47,052
	55,044	65,612

14. Investment properties

Fair value measurements recognised in the Statement of Financial Position

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2022 £'000**	2021 £'000	Increase/ (decrease) in year £'000
Completed investment property						
Industrial	—	—	52,927	**52,927**	46,796	6,131
Leisure	—	—	9,208	**9,208**	9,598	(390)
Mixed-use	—	—	—	**—**	7,483	(7,483)
Residential	—	—	4,322	**4,322**	4,127	195
Office	—	—	6,275	**6,275**	9,938	(3,663)
Retail	—	—	14,466	**14,466**	17,235	(2,769)
	—	—	87,198	**87,198**	95,177	(7,979)
Investment property under construction						
Industrial	—	—	9,918	**9,918**	9,000	918
	—	—	9,918	**9,918**	9,000	918
Total carrying amount	—	—	97,116	**97,116**	104,177	(7,061)

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

14. Investment properties continued

Explanation of the fair value hierarchy:

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

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

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

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

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

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

Completed investment property

Class **Fair value hierarchy**	Industrial Level 3 £'000	Leisure Level 3 £'000	Mixed-use Level 3 £'000	Residential Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	**2022** **£'000**	2021 £'000
Carrying value								
At 1 January	46,796	9,598	7,483	4,127	9,938	17,235	**95,177**	78,730
Initial acquisition	—	—	—	—	—	—	**—**	11,268
Subsequent expenditure on investment property	8	—	—	—	—	—	**8**	502
Capitalised letting fees	2	—	—	—	—	—	**2**	129
Amortisation of capitalised letting fees	(12)	(10)	—	(3)	—	—	**(25)**	(41)
Disposals	—	—	(7,493)	(7)	—	—	**(7,500)**	(5,312)
Transfer from inventory	6,827	—	—	—	—	—	**6,827**	1,517
Transfers from investment property under construction	—	—	—	—	—	—	**—**	3,741
Increase/(decrease) in fair value in year	(694)	(380)	10	205	(3,663)	(2,769)	**(7,291)**	4,643
At 31 December	52,927	9,208	—	4,322	6,275	14,466	**87,198**	95,177
Adjustment in respect of tenant incentives	948	202	—	—	625	459	**2,234**	1,560
Market value at 31 December	53,875	9,410	—	4,322	6,900	14,925	**89,432**	96,737

Tenant incentives are included in trade receivables.

14. Investment properties continued

There is no actively traded market for the Group's commercial property and as such the adopted valuation is completed using the professional judgement of the Group's professional valuers, who use the yield method to determine fair value. The calculation of the capital value of a property under this method uses a yield to multiple against the rental income stream with due allowance for a fixed assumed purchaser's cost. The primary variables of the yield method are thus: the yield, which is based on historic yields for properties that are similar but to which there may be adjustment to take into account, factors such as geographical location and lease terms; and the contracted rent, which is based on contracted rents that exist at the balance sheet date, but may also include a provision for rents that may be achieved in the future after accounting for a period of vacancy, such rents being based on rental income terms that exist in similar properties, adjusted for geographic location and lease terms.

With the exception of the residential class, completed investment property has been revalued at 31 December 2022 by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Valuation - Global Standards (the 'Red Book') on the basis of market value at £85,110,000 (2021: £92,609,000). Jones Lang LaSalle Limited are professional valuers who hold recognised and professional qualifications and have recent experience in the location and category of the investment property being valued. The valuation conforms to International Valuation Standards, as incorporated within the Red Book and was based on recent market transactions with similar characteristics and location using the yield method valuation technique. The yield method of valuation involves applying market-derived capitalisation yields, and the actual or market-derived future income streams where appropriate, with adjustments for letting voids or rent-free periods as applicable to each property. For all completed investment properties, their current use equates to the highest and best use.

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

The fair value of the residential class at 31 December 2022 has been determined by the Directors of the Company at £4,322,000 (2021: £4,127,000). The fair value takes into account market evidence based on recent comparable sale transactions adjusted to take into account the tenanted nature of the properties.

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

		2022					
Class		**Industrial**	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£)	– weighted average	**6.40**	**15.55**	**4.95**	**—**	**27.05**	**14.06**
	– low	**0.67**	**1.82**	**2.75**	**—**	**26.60**	**7.33**
	– high	**13.00**	**45.05**	**9.00**	**—**	**28.06**	**25.38**
Yield %	– weighted average	**6.05**	**6.68**	**10.90**	**—**	**12.44**	**5.78**
	– low	**3.38**	**5.84**	**8.21**	**—**	**9.61**	**4.49**
	– high	**7.75**	**9.76**	**12.69**	**—**	**15.95**	**8.83**
% discount applied to houses held under assured tenancies		**—**	**—**	**—**	**25.00**	**—**	**—**

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

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

14. Investment properties continued

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

	Impact on valuation 2022 £'000					
	Industrial	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Yield – improvement by 0.5%	**3,834**	**662**	**219**	**—**	**356**	**1,206**
Rental value per sq ft – increase by £1 average	**8,243**	**607**	**1,013**	**—**	**328**	**1,002**
Tenancy discount – increase by 1%	**—**	**—**	**—**	**49**	**—**	**—**

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

The sensitivities have been selected by management on the basis that it considers these measures to be a reasonable expectation of likely changes to the significant unobservable inputs in the next 12 months.

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £5,757,000 (2021: £5,772,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £1,229,000 (2021: £1,274,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £122,000 (2021: £162,000).

At 31 December 2022, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £nil (2021: £nil).

Investment property under construction

Class **Fair value hierarchy**	Industrial Level 3 £'000	**2022** **£'000**	2021 £'000
Carrying value			
At 1 January	9,000	**9,000**	3,993
Subsequent expenditure on investment property	9,265	**9,265**	5,419
Capitalised letting fees	26	**26**	—
Transfer from inventory	391	**391**	—
Transfer to completed investment property	—	**—**	(3,741)
Transfers to assets held for sale	(11,134)	**(11,134)**	—
Increase in fair value in year	2,370	**2,370**	3,329
At 31 December	9,918	**9,918**	9,000
Adjustment in respect of tenant incentives	—	**—**	—
Market value at 31 December	9,918	**9,918**	9,000

One property was transferred to 'assets held for sale' during the year and was subsequently disposed of prior to the year end.

Tenant incentives are included in trade receivables.

14. Investment properties continued

Investment property under construction

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

Class		2022 Industrial
Valuation technique		Residual
Rental value per sq ft (£)	– weighted average	**10.21**
	– low	**10.21**
	– high	**10.21**
Yield %	– weighted average	**4.5**
	– low	**4.5**
	– high	**4.5**

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

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

	Impact on valuation 2022 £'000 Industrial
Yield – improvement by 0.5%	**1,025**
Rental value per sq ft – increase by £1 average	**1,804**

	Impact on valuation 2021 £'000 Industrial
Yield – improvement by 0.5%	1,037
Rental value per sq ft – increase by £1 average	358

Investment properties under construction are developments which have been valued at 31 December 2022 at fair value by the Directors of the Company using the residual method at £9,918,000 (2021: £9,000,000). The residual method of valuation involves estimating the gross development value of the property using market-derived capitalisation yields and market-derived future income streams. From this gross development value the remaining gross development costs to be incurred are deducted, using market-derived data cost estimates or the actual known costs and including cost contingencies for construction risk as appropriate. In addition, a deduction for the anticipated development profits yet to be earned is made, taking into account the progress of the development to date in line with key milestones.

15. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2021, 31 December 2021 and 31 December 2022	**37,771**
Adjustments	
At 1 January 2021, 31 December 2021 and 31 December 2022	**–**
Carrying amount	
At 31 December 2022	**37,771**
At 31 December 2021	37,771

Amounts due from and to subsidiary companies are listed in notes 18 and 22 and details of all subsidiary companies are listed in note 35. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of:

- Road Link (A69) Holdings Limited and its subsidiary Road Link (A69) Limited which is 61.2% owned by Henry Boot Construction Limited;
- Plot 7 East Markham Vale Management Company Limited which is 66.7% owned by, and under board control of, Henry Boot Developments Limited;
- Capitol Park Property Services Limited which is 4.6% owned by, and under board control of, Henry Boot Developments Limited; and
- Stonebridge Homes Group Limited and its wholly owned subsidiaries (as indicated in note 35) which is 50% owned by, and under board control of (by virtue of majority voting rights), Henry Boot Land Holdings Limited.

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

16. Investment in joint ventures and associates

Group	2022 Joint ventures £'000	2022 Associates £'000	2022 Total £'000	2021 Joint ventures £'000	2021 Associates £'000	2021 Total £'000
Cost						
At 1 January	**12,165**	**–**	**12,165**	5,688	152	5,840
Share of profit/(loss) for the year	**9,524**	**(445)**	**9,079**	9,064	(136)	8,928
Dividends received	**(7,160)**	**–**	**(7,160)**	(2,155)	–	(2,155)
Additions	**–**	**2,112**	**2,112**	–	2	2
Disposals	**(6,206)**	**–**	**(6,206)**	(432)	(18)	(450)
At 31 December	**8,323**	**1,667**	**9,990**	12,165	–	12,165

During the year, the Group increased its equity investment in Rainham Holdco SARL, an associate undertaking, by a further £2.1m which maintains our interest at 20%.

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

	2022 Joint ventures £'000	2022 Associates £'000	2022 Total £'000	2021 Joint ventures £'000	2021 Associates £'000	2021 Total £'000
Investment property	**9,311**	**–**	**9,311**	21,676	–	21,676
Current assets	**24,283**	**6,062**	**30,345**	25,711	5,692	31,403
Non-current assets	**–**	**–**	**–**	1	7	8
Total assets	**33,594**	**6,062**	**39,656**	47,388	5,699	53,087
Current liabilities	**(22,848)**	**(4,395)**	**(27,243)**	(32,122)	(2,130)	(34,252)
Non-current liabilities	**(2,423)**	**–**	**(2,423)**	(3,101)	(3,569)	(6,670)
Net investment	**8,323**	**1,667**	**9,990**	12,165	–	12,165

16. Investment in joint ventures and associates continued

	2022			2021		
	Joint ventures £'000	Associates £'000	Total £'000	Joint ventures £'000	Associates £'000	Total £'000
Revenue	38,101	13	38,114	18,944	53	18,997
Administration and other expenses	(23,569)	(154)	(23,723)	(15,388)	(67)	(15,455)
(Decrease)/increase in fair value of investment properties	(3,232)	–	(3,232)	6,970	–	6,970
Operating profit/(loss)	11,300	(141)	11,159	10,526	(14)	10,512
Finance costs	(403)	(287)	(690)	(375)	(121)	(496)
Profit/(loss) before tax	10,897	(428)	10,469	10,151	(135)	10,016
Tax	(1,373)	(17)	(1,390)	(1,087)	(1)	(1,088)
Share of profits/(losses) after tax	9,524	(445)	9,079	9,064	(136)	8,928

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

Material joint ventures and associates

The Directors considers Pennine Property Partnership LLP, Montagu 406 Regeneration LLP, Newmarket Lane Holdings Limited (Group) and Cognito Oak LLP to be the only material joint venture or associate they hold an interest in.

Pennine Property Partnership LLP is a property development joint venture between the Group and Calderdale and Huddersfield NHS Foundation Trust, the LLP is incorporated in England and the Group has ownership of 50%. The joint venture is accounted for using the equity method of accounting. Montagu 406 Regeneration LLP is a property development joint venture between the Group and The Mayor and Burgesses of the London Borough of Enfield. The LLP is incorporated in England and the Group has ownership of 50% of the LLP. The joint venture is accounted for using the equity method of accounting. Newmarket Lane Holdings Limited (Group) (henceforth the "NML Group") is a property development joint venture between the Group, two individual shareholders, and Hazeltime Limited. The NML Group includes three legal entities, Newmarket Lane Holdings Limited, Newmarket Lane Limited, and Newmarket Lane Management Company Limited. The NML Group is incorporated in England, and the Group has ownership of 50% of the NML Group. The joint venture is accounted for using the equity method of accounting. Cognito Oak LLP is a property development joint venture between the Group and Wraith Real Estate Limited, the LLP is incorporated in England and the Group has ownership of 50%. The joint venture is accounted for using the equity method of accounting.

The table below provides summarised financial information for Pennine Property Partnership LLP, Montagu 406 Regeneration LLP, Newmarket Lane Holdings Limited (Group) and Cognito Oak LLP. The information disclosed reflects the amounts presented in the financial statements of Pennine Property Partnership LLP, Montagu 406 Regeneration LLP, Newmarket Lane Holdings Limited (Group), and Cognito Oak LLP and not the Group's share of those amounts.

Summarised balance sheet

	Pennine Property Partnership LLP		Montagu 406 Regeneration LLP		Newmarket Lane Holdings Limited (Group)		Cognito Oak LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Investment properties (non-current)	–	17,401	18,611	25,950	–	–	–	–
Inventories	–	141	889	–	15,336	19,050	–	1,710
Trade and other receivables	–	138	656	143	9,319	2,303	–	68
Cash and cash equivalents	–	252	420	–	1,665	1,850	–	348
Trade and other payables	–	(4,516)	(15,720)	(14,454)	(13,077)	(19,791)	(1)	(2,375)
Borrowings (non-current)	–	(2,590)	–	–	–	–	–	–
Net assets/(liabilities)	–	10,826	4,856	11,639	13,243	3,412	(1)	(249)
Reconciliation to carrying amount:								
Opening net assets 1 January	10,826	8,956	11,639	(5)	3,412	(24)	(249)	(41)
Profit/(loss) for the period	1,215	2,920	(6,783)	11,644	9,831	3,455	14,826	**(208)**
Other distribution	(12,041)	(1,050)	–	–	–	(19)	(14,578)	–
Closing net assets	–	10,826	4,856	11,639	13,243	3,412	(1)	(249)
Group's share in %	–	50%	50%	50%	50%	50%	50%	50%
Group's share in £	–	5,413	2,428	5,820	6,622	1,706	(1)	(125)
Carrying amount	–	5,413	2,428	5,820	6,622	1,706	(1)	(125)

16. Investment in joint ventures and associates continued

Summarised statement of comprehensive income

	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Revenue	**1,318**	752	**564**	—	**36,218**	19,435	**17,208**	1,572
Movement in fair value of investment property	**300**	2,356	**(6,764)**	11,695	**—**	—	**—**	—
Profit/(loss) for the year	**1,215**	2,920	**(6,783)**	11,644	**9,831**	3,455	**14,826**	(208)

The Group disposed of one joint venture investment in the year:

Pennine Property Partnership LLP

On 1 September 2022 the Group, through its subsidiary Henry Boot Developments Limited, disposed of its interest in Pennine Property Partnership LLP for a total consideration of £6,873,000.

	2022 £'000
Sale proceeds	**6,873**
Book value of net assets	**(6,206)**
Profit on disposal	**667**

17. Contract assets

	2022 £'000	2021 £'000
Construction contracts – Construction segment	**4,882**	2,291
Construction contracts – Property Investment and Development segment	**14,375**	5,265
	19,257	7,556
Due within one year	**19,257**	7,556
Due after more than one year	**—**	—
	19,257	7,556

Amounts relating to construction contracts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance-related milestones. The Group will previously have recognised a contract asset for any work performed but not yet invoiced as conditional to reaching certain agreed milestone. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Contract assets have increased as the Group has provided more construction contract services in the property investment and development segment.

There were no impairment losses recognised on any contract asset in the reporting period (2021: £nil).

The Group does not recognise any assets arising from the costs incurred to obtain a contract as the related amortisation period would have been less than one year.

18. Trade and other receivables

	Group		Parent Company	
	2022 £'000	2021 (restated[1]) £'000	2022 £'000	2021 (restated[1]) £'000
Trade receivables	**70,245**	66,889	**484**	168
Loss allowance	**(1,682)**	(1,269)	**—**	—
Prepayments	**9,751**	8,442	**2,085**	949
Amounts owed by joint ventures and associates	**25,316**	27,660	**—**	—
Amounts owed by Group undertakings	**—**	—	**222,786**	203,417
	103,630	101,722	**225,355**	204,534
Due within one year	**66,601**	64,615	**40,149**	27,845
Due after more than one year	**37,029**	37,107	**185,206**	176,689
	103,630	101,722	**225,355**	204,534

[1] See 'prior year restatements' on page 159.

Amounts due after more than one year relate to deferred consideration included in trade receivables on inventory sold that are discounted to present value and are due for payment between January 2024 and July 2026, and amounts owed by joint ventures and associates that are not expected to be recovered in the next 12 months.

18. Trade and other receivables continued

Group

Movement in the trade receivables loss allowance

	2022 £'000	2021 £'000
At 1 January	1,269	691
Impairment losses recognised	417	779
Amounts written off as uncollectable (utilisation)	(4)	(196)
Amounts recovered during the year	—	(5)
Impairment losses reversed	—	—
At 31 December	1,682	1,269

The loss allowance as at 31 December 2022 and 31 December 2021 for trade receivables was determined as follows:

2022

	Expected loss rate %	Gross carrying amount £'000	Loss allowance £'000
0-30 days	—	63,962	25
30–60 days	1.3	1,462	19
60–90 days	1.2	520	6
90–120 days	5.9	341	20
120+ days	40.7	3,960	1,612
		70,245	1,682

2021

	Expected loss rate %	Gross carrying amount (restated[1]) £'000	Loss allowance £'000
0-30 days	—	60,464	31
30–60 days	0.6	2,895	18
60–90 days	2.9	548	16
90–120 days	24.2	128	31
120+ days	41.1	2,854	1,173
		66,889	1,269

1 See 'prior year restatements' on page 159.

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

Parent Company

Amounts owed by Group undertakings include loans of £213.4m (2021: £203.7m) and are repayable on demand, unsecured and are stated net of provisions for impairment of £1,498,000 (2021: £1,500,000), of which £nil (2021: £3,000) has been provided in the year, £2,000 (2021: £87,000) has been recovered in the year and £nil (2021: £nil) was written off. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. Where there are insufficient liquid assets the Parent Company considers the expected manner of recovery to measure expected credit losses. This might be a 'repay over time' strategy, or a fire sale of less liquid assets. Interest is charged annually at 0% (2021: 2.85%).

The Parent Company has no impaired trade receivables (2021: nil).

18. Trade and other receivables continued

Credit risk

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of loss allowances for doubtful receivables, estimated by the Group's management based on prior experience and forward-looking assessments of the economic environment in accordance with IFRS 9 'Financial Instruments'.

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

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

19. Deferred tax

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

Group	Accelerated capital allowances £'000	Property revaluations £'000	Retirement benefit scheme £'000	Other timing differences £'000	Total £'000
At 1 January 2021	85	—	6,924	333	7,342
Recognised in profit or loss	(279)	(4,106)	973	(1)	(3,413)
Recognised in other comprehensive income	—	(282)	(4,840)	—	(5,122)
At 31 December 2021	(194)	(4,388)	3,057	332	(1,193)
Recognised in profit or loss	**(593)**	**2,345**	**(856)**	**(83)**	**813**
Recognised in other comprehensive income	**—**	**(23)**	**(3,749)**	**—**	**(3,772)**
At 31 December 2022	**(787)**	**(2,066)**	**(1,548)**	**249**	**(4,152)**
Deferred tax asset	**—**	**—**	**—**	**249**	**249**
Deferred tax liability	**(787)**	**(2,066)**	**(1,548)**	**—**	**(4,401)**
Parent Company					
At 1 January 2021	68	—	6,924	355	7,347
Recognised in profit or loss	36	—	973	6	1,015
Recognised in other comprehensive income	—	—	(4,840)	—	(4,840)
At 31 December 2021	104	—	3,057	361	3,522
Recognised in profit or loss	**(76)**	**—**	**(856)**	**(82)**	**(1,014)**
Recognised in other comprehensive income	**—**	**—**	**(3,749)**	**—**	**(3,749)**
At 31 December 2022	**28**	**—**	**(1,548)**	**279**	**(1,241)**
Deferred tax asset	**28**	**—**	**—**	**279**	**307**
Deferred tax liability	**—**	**—**	**(1,548)**	**—**	**(1,548)**

Deferred tax assets relating to deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of UK corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. As a result, deferred tax balances at the year end have been measured at 25% (2021: 25%), being the rate at which timing differences are expected to reverse. Management does not expect any significant reversal of deferred tax assets or liabilities in the next 12 months.

20. Inventories

	2022 £'000	2021 £'000
Property developments in progress	**91,213**	75,161
Housebuilder land and work in progress	**80,629**	52,464
Land held for development or sale	**57,475**	47,682
Options to purchase land	**11,893**	13,558
Planning promotion agreements	**50,568**	46,431
	291,778	235,296

Within property developments in progress, £nil (2021: £1,277,000) has been written down and recognised as an expense in the year. These costs relate to development projects no longer likely to proceed. Within land held for development or sale, options to purchase land and planning promotion agreements, £2,019,000 (2021: £1,170,000) has been written down and recognised as an expense in the year. These costs relate to land, options and planning promotion agreements where planning permission for development has been refused or is deemed to be doubtful.

21. Contract liabilities

	2022 £'000	2021 £'000
Construction contracts – Construction segment	**4,006**	5,033
Construction contracts – Property Investment and Development segment	**—**	—
	4,006	5,033
Due within one year	**4,006**	5,033

	2022 £'000	2021 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Construction contracts – Construction segment	**5,033**	7,280
Construction contracts – Property Investment and Development segment	**—**	150
Revenue recognised from performance obligations satisfied in previous periods		
Construction contracts – Construction segment	**—**	—
Construction contracts – Property Investment and Development segment	**—**	—

Contract liabilities have decreased in the year as the Group invoicing remains more closely aligned with the level of construction of work undertaken on these contracts.

22. Trade and other payables

	Group		Parent Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	**80,069**	56,420	**1,492**	1,409
Social security and other taxes	**2,273**	4,119	**427**	572
Accrued expenses	**3,911**	9,441	**1,279**	1,024
Deferred income	**13,777**	3,834	**—**	—
Amounts owed to joint venture and associates	**365**	10	**—**	—
Amounts owed to Group undertakings	**—**	—	**86,110**	83,168
	100,395	73,824	**89,308**	86,173
Due within one year	**95,827**	72,155	**89,308**	86,173
Due after more than one year	**4,568**	1,669	**—**	—
	100,395	73,824	**89,308**	86,173

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

Amounts due after more than one year include £1,343,000 (2021: £1,669,000) of deferred income and £3,225,000 (2021: £nil) of trade payables relating to deferred land payments. Included within deferred income is £1,669,000 relating to an advanced payment from National Highways (2021: £1,874,000). This is being released as revenue and interest within the income statement under the terms of the A69 Road Link contract. During the year, £519,000 (2021: £445,000) has been recognised as revenue and £314,000 (2021: 332,000) recognised as interest. The balance of deferred income represents advanced receipts for construction of a pre-sold asset in the property investment and development segment which is due to complete in 2023.

Parent Company

Amounts owed to Group undertakings (including loans of £85.8m (2021: £81.1m)) are repayable on demand, unsecured and bear interest at rates of between 0%-5.20% (2021: 2.85%).

23. Government grants

Government grants have been received in relation to the infrastructure of one of the Group's land promotions and one of the Group's property developments.

Grant income received relating to revenue grants are included within deferred income and released to the Consolidated Statement of Comprehensive Income on a systematic basis to match the costs it is intended to compensate. There are no unfulfilled conditions or contingencies attached to the grants that have been recognised.

Amounts credited to the Consolidated Statement of Comprehensive Income during the year were £130,000 (2021: £723,000).

Grant income relating to capital grants is included within deferred income until the completion conditions are met; at this point the grant is transferred to offset the cost of the asset.

24. Capital risk management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and have the resources to provide returns for shareholders and benefits for other stakeholders; and
- To maximise returns to shareholders by allocating capital across our businesses based on the level of expected return and risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and cash equivalents and at 31 December 2022 this was £48.6m (2021: £43.5m). Equity comprises all components of equity and at 31 December 2022 this was £394.3m (2021: £355.3m).

During 2022 the Group's achieved its strategy, to maintain the debt to equity ratio below 30% (2021: 30%). This level was chosen to ensure that we can access debt relatively easily and inexpensively if required.

In January 2020, the Group concluded negotiations with three banking partners to put in place a £75m facility to replace the £72m facility we had in place at 31 December 2019. The renewed facilities commenced on 23 January 2020, with a renewal date of 23 January 2023 and an option to extend the facilities by one year, each year, for the next two years occurring on the anniversary of the facility. The renewed facilities, on improved terms, maintain covenants on the same basis as the previous facilities. On 19 January 2022 the banks agreed to the Group's second request to extend the facility to 23 January 2025 and on 9 October 2022 to call on the facility accordion increasing the total commitments by £30m to £105m. The Group had drawn £65m of the facility at 31 December 2022 (2021: £50m).

The Group's secured bank facilities are subject to covenants over loan-to-market value of investment properties, interest cover, EBIT cover, gearings and minimum consolidated tangible assets value. The Group operated comfortably within all of its requirements throughout the year and continues to do so over forecast periods.

On the 17 December 2021, the Group entered into a Receivables Purchase Agreement with HSBC Invoice Finance (UK) Limited. The Receivables Purchase Agreement allows the Group to sell eligible deferred receivables generated through its land sale activities to HSBC Invoice Finance (UK) Limited. Under the terms of the agreement the Group irrevocably assigns all rights to HSBC Invoice Finance (UK) Limited and all tangible risks and rewards of ownership of the financial asset are transferred. Upon transfer of contractual rights, the deferred receivable asset is derecognised in the financial statements of the Group. There is a maximum agreement limit of £25m of which receivables due from eligible housebuilders can be sold. Amounts of £7.6m (2021: nil) were sold under the agreement at the year end.

The Group's capital risk management disclosures are consistent with the Parent Company.

25. Borrowings

	Group		Parent Company	
	2022 £'000	2021 (restated[1]) £'000	**2022 £'000**	2021 £'000
Bank overdrafts	**–**	–	**9**	–
Bank loans	**65,000**	50,000	**65,000**	50,000
	65,000	50,000	**65,009**	50,000
Due within one year	**65,000**	50,000	**65,009**	50,000
Due after one year	**–**	–	**–**	–
	65,000	50,000	**65,009**	50,000
Contractual maturities of borrowings, including future interest, as follows:				
On demand or within one year	**65,000**	50,000	**65,009**	50,000
In the second year	**–**	–	**–**	–
In the third to fifth years inclusive	**–**	–	**–**	–
	65,000	50,000	**65,009**	50,000
Due within one year	**65,000**	50,000	**65,009**	50,000
Due after one year	**–**	–	**–**	–
	65,000	50,000	**65,009**	50,000

[1] See 'prior year restatements' on page 159.

25. Borrowings continued

The weighted average interest rates paid were as follows:

	2022 %	2021 %
Bank overdrafts	**2.72**	1.24
Bank loans – floating rate	**4.59**	1.51
Bank loans – floating rate (relating to Stonebridge Homes Limited)	**–**	1.98

Bank overdrafts are repayable on demand and bank loans are drawn for periods of between one and six months.

Borrowings are recognised at amortised cost.

Liquidity risk

The Company's objectives when managing liquidity are:

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

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

The Stonebridge Homes Limited revolving loan facility is secured by a specific charge over the freehold property of that company and is guaranteed by Henry Boot PLC. On 25 January 2019 the Stonebridge Homes facility was increased to £10,000,000 with full and final settlement becoming due on 24 January 2022. On 17 December 2021, the facility was settled in full with Stonebridge Homes now being funded through the Henry Boot PLC group facility.

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

Based on approximate average borrowings during 2022, a 1.0% (2021: 0.5%) change in interest rates, which the Directors consider to be a reasonably possible change, would affect profitability before tax by £618,000 (2021: £82,000).

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

At 31 December 2022, the Group had available £40,000,000 (2021: £25,000,000) undrawn committed borrowing facilities.

26. Provisions

	Land promotion £'000	Road maintenance £'000	Total £'000
At 1 January 2021	3,936	1,992	5,928
Additional provisions in year	1,051	1,499	2,550
Utilisation of provisions	(570)	(1,626)	(2,196)
At 31 December 2021	4,417	1,865	6,282
Included in current liabilities	3,562	1,865	5,427
Included in non-current liabilities	855	–	855
	4,417	1,865	6,282
Additional provisions in year	**775**	**683**	**1,459**
Utilisation of provisions	**(1,637)**	**(715)**	**(2,352)**
At 31 December 2022	**3,555**	**1,833**	**5,388**
Included in current liabilities	**2,170**	**1,833**	**4,003**
Included in non-current liabilities	**1,385**	**–**	**1,385**
	3,555	**1,833**	**5,388**

26. Provisions continued

The land promotion provision represents management's best estimate of the Group's liability to provide infrastructure and service obligations, which remain with the Group following the disposal of land. The provision is calculated using the present value of the estimated cash flows required to settle the present obligations, pro rata on an acreage allocation basis where disposals occur over a number of phases, such that provisions are only made in relation to the land which has been disposed of. Based on a 1.0% change in the discount rate and a 5.0% change in the estimated cash outflows, both of which the Directors consider to be a reasonably possible change, land promotion provisions would change and affect profitability before tax by £32,000 and £182,000 respectively (2021: £11,000 and £101,000).

The Group maintains rigorous forecasting and budgeting for the infrastructure and services contracts to which our provisions relate. The Group's outstanding obligations are not considered to be 'onerous' contracts, as the costs of meeting the obligations are not anticipated to exceed the economic benefits expected to be received throughout the life of the developments.

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset. Based on a 5.0% change in the estimated cash outflows, which the Directors consider to be a reasonably possible change, the road maintenance provision would change and affect profitability before tax by £129,000 (2021: £206,000).

Off balance sheet arrangements

The Group is currently undertaking the infrastructure of land promotions at Bridgwater and Cranbrook, spanning 122 and 53 acres respectively (2021: 122 and 53). The Group is liable for various planning and infrastructure obligations required to be met under section agreements imposed by the local Councils. The Group shares its planning and infrastructure obligations relating to the Cranbrook site with two other parties, the Group's share being 30%. These shared obligations are secured by performance bonds and legal charges. The Group deems the possibility of default by the other parties as highly remote. The infrastructure of these developments is anticipated to continue until 2023 and 2025 respectively, with costs being incurred throughout these periods.

The Group has cumulatively disposed of 117 and 50 acres respectively (2021: 117 and 48), and has subsequently recognised provisions to the value of £3,451,000 (2021: 4,351,000), being the Group's best estimate of the consideration required to settle the present obligations at the reporting date. Subsequent disposals are expected to occur over a number of phases; provisions are made in relation to the land which has been disposed of. The present value of the estimated cash flows relating to future disposals, amounting to £185,000 (2021: £617,000), has therefore not been recognised in these Financial Statements.

Contingent liabilities

Contingent liabilities may arise in respect of subcontractor and other third party claims made against the Group, in the normal course of trading. These claims can include those relating to cladding/legacy fire safety matters, and defects. A provision for such claims is only recognised to the extent that the Directors believe that the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. However, such claims are predominantly covered by the Group's insurance arrangements.

27. Retirement benefit obligations

Defined contribution pension plan

The Group operates a defined contribution pension plan for all qualifying employees. The plan is administered and managed by Aviva and the Group matches member contributions, providing a minimum of 5% (2021: 5%) of salary is paid by the employee, on a pound-for-pound basis up to a maximum of 8% (2021: 8%).

The total cost charged to income of £3,251,000 (2021: £2,521,000) represents contributions payable to the plan by the Group.

Defined benefit pension scheme

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

Existing scheme members accrued benefits up until 19 March 2021 at which point the scheme closed to future accrual. To 19 March 2021 members accrued an annual pension of either 1/45th or 1/60th of final pensionable salary for each year of pensionable service. Increases in pensionable salary were limited to 1% per annum. Once in payment, pensions increase in line with inflation. The scheme also provides a two-thirds spouse's pension on the death of a member.

27. Retirement benefit obligations continued

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

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

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

Investment risk

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

Interest rate risk

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

Inflation risk

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

Longevity risk

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

A formal actuarial valuation was carried out as at 31 December 2021. The results of that valuation have been projected to 31 December 2022 by a qualified independent actuary and the next formal valuation will be 31 December 2024. The figures in the following disclosure were measured using the projected unit method. The main financial assumptions used in the valuation of the liabilities of the scheme under IAS 19 are:

	2022 **%**	2021 %
Retail Prices Index (RPI)	**3.20**	3.30
Consumer Prices Index (CPI)	**2.60**	2.70
Pensionable salary increases	**—**	—
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.60**	2.70
Revaluation of deferred pensions	**2.60**	2.70
Liabilities discount rate	**4.90**	2.00

Mortality assumptions	**2022** **Years**	2021 Years
Retiring today (aged 65)		
Male	**21.7**	21.8
Female	**23.8**	24.1
Retiring in 20 years (currently aged 45)		
Male	**22.7**	22.8
Female	**25.0**	25.3

The mortality assumptions adopted are the Self Administered Pension Schemes (SAPS) tables with allowance for future improvements in line with Continuous Mortality Investigation (CMI) 2021 with an annual improvement of 1% per annum.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Impact on scheme liabilities		
	Change in assumption	Increase in assumption	Decrease in assumption
Rate of inflation	0.25%	Increase by 2.3%	Decrease by 2.3%
Liabilities discount rate	0.25%	Decrease by 2.9%	Increase by 3.1%
Rate of mortality	1 year	Increase by 3.7%	Decrease by 3.6%

27. Retirement benefit obligations continued

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

	2022 £'000	2021 £'000
Service cost:		
Current service cost	–	180
Ongoing scheme expenses	644	502
Past service cost	–	2,074
Net interest expense	209	505
Pension protection fund	136	146
Pension expenses recognised in profit or loss	989	3,407
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	50,365	(13,239)
Actuarial gain arising from changes in demographic assumptions	(1,070)	(277)
Actuarial gain arising from changes in financial assumptions	(63,568)	(9,781)
Actuarial gain arising from experience assumptions	(721)	–
Actuarial gain recognised in other comprehensive income	(14,994)	(23,297)
Total	(14,005)	(19,890)

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

	2022 £'000	2021 £'000
Present value of scheme obligations	152,576	221,660
Fair value of scheme assets	(158,764)	(209,432)
	(6,188)	12,228

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

	2022 £'000	2021 £'000
Non-current (assets)/liabilities	(6,188)	12,228

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

	2022 £'000	2021 £'000
At 1 January	221,660	235,143
Current service cost	–	180
Interest on obligation	4,353	4,201
Actuarial losses	(65,359)	(10,058)
Past service cost	–	2,074
Benefits paid	(8,078)	(9,880)
At 31 December	152,576	221,660

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

	2022 £'000	2021 £'000
At 1 January	209,432	198,698
Interest income	4,144	3,696
Actuarial (losses)/gains on scheme assets	(50,365)	13,239
Employer contributions	4,275	4,181
Benefits paid	(8,078)	(9,880)
Ongoing scheme expenses	(644)	(502)
At 31 December	158,764	209,432

27. Retirement benefit obligations continued

The categories of plan assets are as follows:

	2022 **£'000**	2021 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	**14,381**	47,796
Diversified credit funds	**46,483**	63,641
Cash and net current assets	**2,979**	3,222
Unquoted investments:		
Direct lending	**18,969**	22,536
Liability driven investment	**33,283**	34,369
Infrastructure	**21,319**	20,101
Special situations	**21,350**	17,767
At 31 December	**158,764**	209,432

The weighted average duration of the defined benefit obligation is 12 years (2021: 16 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2023 financial year is £1,300,000, being £1,300,000 payable by the Group and £nil payable by scheme members.

The Company's level of recovery plan funding to the scheme is £100,000 per month from March 2023 to December 2024 with a provision to suspend contributions if in surplus over £3m for two quarters or increase contributions to £300,000 if in deficit over £3m for two quarters. In addition to this, the Company contributes a further £260,000 per annum towards the administration expenses of the scheme.

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are disclosed below:

Parent Company	**2022** **£'000**	2021 £'000
Management charges receivable	**4,670**	2,456
Interest receivable	**–**	4,544
Interest payable	**(1,447)**	(1,753)
Rents payable	**(159)**	(158)
Recharge of expenses	**(25)**	(39)

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

Purchases of goods and services	**2022** **£'000**	2021 £'000
Related companies of key management personnel (amounts paid for Non-executive Director services)	**51**	48

Amounts owing by related parties (note 18) or to related parties (note 22) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No significant provisions have been made for impaired receivables in respect of the amounts owed by related parties. Other than as disclosed above and in note 16, there are no further related party transactions with joint ventures and associates.

Remuneration of key management personnel

The key management personnel of the Group are the Board of Directors and members of the Executive Committee, as presented on pages 80 to 83. They are responsible for making all of the strategic decisions of the Group and its subsidiaries, as detailed on pages 28 and 31. The remuneration of the Board of Directors is set out in the Remuneration Report on pages 120 to 136. The remuneration of the relevant six (2021: eight) members of the Senior Management team is set out below, in aggregate, for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2022 **£'000**	2021 £'000
Short-term employee benefits	**1,648**	1,976
Post-employment benefits	**81**	92
Share-based payments	**19**	23
	1,748	2,091

29. Share capital

	Authorised, allotted, issued and fully paid 2022 £'000	2021 £'000
400,000 5.25% cumulative preference shares of £1 each (2021: 400,000)	**400**	400
133,627,922 ordinary shares of 10p each (2021: 133,323,967)	**13,363**	13,332
	13,763	13,732

The Company has one class of ordinary share which carries no rights to fixed income, but which entitles the holder thereof to receive notice of and attend and vote at general meetings or appoint a proxy to attend on their behalf. During the year, 303,955 ordinary shares (2021: 142,430) were issued in satisfaction of share option exercises.

Subject to Board approval, the preference shares carry the right to a cumulative preferential dividend payable half yearly at the rate of 5.25% per annum. They also carry a right, in priority to the ordinary equity, on a return of assets on a winding-up or reduction of capital, to repayment of capital, together with the arrears of any preferential dividend. With the exception of any resolution proposed to directly affect the rights or privileges of the holders of the preference shares, the holders thereof are not entitled to receive notice of, be present or vote at any general meeting of the Company.

Share-based payments

The Company operates the following share-based payment arrangements:

(i) The Henry Boot 2010 Sharesave Plan

This savings-related share option plan was approved by shareholders in 2010 and is HMRC approved. Grants of options to participating employees were made on 24 October 2017 at a price of 270.0p at a discount of 10%, on 4 October 2018 at a price of 262.0p at a discount of 5.8%, on 3 October 2019 at a price of 224.0p at a discount of 9.7%, on 5 October 2020 at a price of 237.0p at a discount of 6.0%, on 15 October 2021 at a price of 225.0p at a discount of 20.5% and on 21 October 2022 at a price of 198.0p at a discount of 15.7%. These become exercisable for a six-month period from 1 December 2021, 1 December 2022, 1 December 2023, 1 December 2024 and 1 December 2025 respectively. There are no performance criteria attached to the exercise of these options which are normally capable of exercise up to six months after the third anniversary of the Sharesave contract commencement date. The right to exercise options terminates if a participating employee leaves the Group, subject to certain exceptions.

2021

	Options outstanding at 1 January 2021	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2021
October 2017 grant	179,553	—	(84,366)	(95,187)	—
October 2018 grant	86,499	—	(13,050)	(17,806)	55,643
October 2019 grant	734,761	—	(104,709)	(5,712)	624,340
October 2020 grant	312,039	—	(102,825)	—	209,214
October 2021 grant	—	444,640	(4,000)	—	440,640
Weighted average exercise price	236p	225p	243p	267p	228p

2022

	Options outstanding at 1 January 2022	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2022
October 2018 grant	55,643	—	**(5,153)**	**(50,490)**	**—**
October 2019 grant	624,340	—	**(45,243)**	**(168,879)**	**410,218**
October 2020 grant	209,214	—	**(52,617)**	—	**156,597**
October 2021 grant	440,640	—	**(167,227)**	**(933)**	**272,480**
October 2022 grant	—	**1,007,374**	**(15,270)**	—	**992,104**
Weighted average exercise price	228p	**198p**	**226p**	**233p**	**211p**

The weighted average share price at the date of exercise for share options exercised during the year was 257.07p (2021: 278.10p).

29. Share capital continued

(ii) The Henry Boot 2015 Long-Term Incentive Plan

This plan was approved by shareholders at an AGM held on 21 May 2015. Details of the plan and the vesting requirements are also set out in the Directors' Remuneration Policy which is also available to view on the website.

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

	2022 Number	2021 Number
Share options granted at 1 January	**1,365,397**	1,078,207
Lapses of share options in year	**(385,427)**	(177,367)
Awards of shares in year	**(31,486)**	(53,085)
Share options granted in year	**647,331**	517,642
Share options granted at 31 December	**1,595,815**	1,365,397

The weighted average share price at the date of exercise for share options exercised during the year was 323.00p (2021: 278.00p). The weighted average exercise price of all share options issued in the scheme is nil.

(iii) The Henry Boot PLC 2010 Approved Company Share Option Plan

This plan, more commonly known as a CSOP, was approved by shareholders in 2010 and is HMRC approved. Any full-time Director or employee (full-time or part-time) is eligible to participate at the discretion of the Remuneration Committee of the Board. Options are granted by deed with no consideration payable by the participant. The aggregate subscription price at the date of grant of all outstanding options granted to any one participant under the plan and any other HMRC approved plan operated by the Company (but excluding options granted under any savings-related share option plan) must not exceed £30,000. The aggregate market value at the date of grant of ordinary share options which may be granted to any one participant in any one financial year of the Company shall not normally exceed two times the amount of a participant's remuneration for that financial year. The Remuneration Committee may impose objective conditions as to the performance of the Group which must normally be satisfied before options can be exercised. Options are normally exercisable only within the period of three to ten years after the date of grant. The right to exercise options generally terminates if a participant leaves the Group, subject to certain exceptions. The first grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 17 May 2011 at an option price of 121.5p. The second grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 1 October 2014 at an option price of 191.0p. The third grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 6 October 2017 at an option price of 298.9p. The fourth grant of options under the plan was made to certain employees (two of whom at the time were Directors of Group companies) on 14 September 2018 at an option price of 291.0p. The fifth grant of options under the plan was made to certain employees (two of whom at the time were Directors of Group companies) on 3 October 2019 at an option price of 249.0p. The sixth grant of options under the plan was made to certain employees (none of whom at the time were Directors of Group companies) on 5 October 2020 at an option price of 263.0p. The seventh grant of options under the plan was made to certain employees (none of whom at the time were Directors of Group companies) on 29 September 2021 at an option price of 281.0p. The eighth grant of options under the plan was made to certain employees (none of whom at the time were Directors of Group companies) on 5 October 2022 at an option price of 247.0p. There were no performance conditions imposed on either of these grants.

2021

	Options outstanding at 1 January 2021	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2021**
May 2011 grant	5,000	—	—	(5,000)	—
October 2014 grant	15,000	—	—	(5,000)	10,000
October 2017 grant	130,507	—	(34,298)	—	96,209
September 2018 grant	263,565	—	(43,396)	—	220,169
October 2019 grant	437,406	—	(88,779)	(8,420)	340,207
October 2020 grant	416,316	—	(65,847)	(566)	349,903
September 2021 grant	–	413,230	(8,890)	—	404,340
Weighted average exercise price	266p	281p	269p	198p	271p

29. Share capital continued

2022

	Options outstanding at 1 January 2022	**Options granted**	**Options lapsed**	**Options exercised**	**Options outstanding at 31 December 2022**
October 2014 grant	10,000	**–**	**–**	**–**	**10,000**
October 2017 grant	96,209	**–**	**(13,386)**	**(25,936)**	**56,887**
September 2018 grant	220,169	**–**	**(19,500)**	**(54,294)**	**146,375**
October 2019 grant	340,207	**–**	**(36,306)**	**(5,277)**	**298,624**
October 2020 grant	349,903	**–**	**(37,213)**	**(2,093)**	**310,597**
September 2021 grant	404,340	**–**	**(42,132)**	**(792)**	**361,416**
September 2022 grant	—	**605,010**	**(7,450)**	**–**	**597,560**
Weighted average exercise price	271p	**247p**	**270p**	**290p**	**262p**

The weighted average share price at the date of exercise for share options exercised during the year was 323.36p (2021: 274.80p).

Fair value

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

	Weighted average exercise price	Weighted average share price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
LTIP	**Nil**	**241.0p to 324.0p**	**29.37% to 38.73%**	**3 years**	**0.00% to 1.65%**	**1.95% to 3.24%**
CSOP 2011	121.5p	121.5p	41.47%	3 years	1.67%	5.02%
CSOP 2014	191.0p	191.0p	31.17%	3 years	1.23%	3.16%
CSOP 2017	298.9p	309.0p	30.37%	3 years	0.51%	3.02%
CSOP 2018	291.0p	291.0p	29.28%	3 years	0.91%	2.90%
CSOP 2019	249.0p	249.0p	29.25%	3 years	0.28%	3.24%
CSOP 2020	263.0p	263.0p	38.07%	3 years	0.00%	2.61%
CSOP 2021	281.0p	281.0p	38.60%	3 years	0.41%	2.49%
CSOP 2022	**247.0p**	**250.0p**	**38.25%**	**3 years**	**4.15%**	**1.95%**
Sharesave 2017	270.0p	300.0p	30.30%	3 years	0.51%	3.02%
Sharesave 2018	262.0p	278.0p	29.53%	3 years	0.99%	2.90%
Sharesave 2019	224.0p	248.0p	29.25%	3 years	0.28%	3.24%
Sharesave 2020	237.0p	263.0p	38.07%	3 years	0.00%	2.61%
Sharesave 2021	225.0p	2.83.0p	38.60%	3 years	0.58%	2.49%
Sharesave 2022	**198.0p**	**235.0p**	**38.25%**	**3 years**	**3.89%**	**1.95%**

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

The weighted average fair value of share options granted during the year was 96.78p (2021: 92.71p).

Expense recognised in the Consolidated Statement of Comprehensive Income

	2022 £'000	2021 £'000
The total expense recognised in the Consolidated Statement of Comprehensive Income arising from share-based payment transactions	**1,241**	969

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

30. Reserves

Group	Property revaluation £'000	Retained earnings £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Total other £'000
At 1 January 2021	2,342	288,514	271	5,924	209	6,404
Profit for the year	—	28,160	—	—	—	—
Dividends paid	—	(7,620)	—	—	—	—
Proceeds from shares issued	—	—	—	340	—	340
Arising on employee share schemes	—	837	—	—	—	—
Deferred tax on revaluation surplus	(282)	—	—	—	—	—
Actuarial gain on defined benefit pension scheme	—	23,297	—	—	—	—
Deferred tax on actuarial gain	—	(4,840)	—	—	—	—
At 31 December 2021	2,060	328,348	271	6,264	209	6,744
Profit for the year	**—**	**33,319**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**(8,383)**	**—**	**—**	**—**	**—**
Proceeds from shares issued	**—**	**—**	**—**	**738**	**—**	**738**
Arising on employee share schemes	**—**	**1,163**	**—**	**—**	**—**	**—**
Increase in fair value in year	**315**	**—**	**—**	**—**	**—**	**—**
Deferred tax on revaluation surplus	**(23)**	**—**	**—**	**—**	**—**	**—**
Actuarial gain on defined benefit pension scheme	**—**	**14,994**	**—**	**—**	**—**	**—**
Deferred tax on actuarial gain	**—**	**(3,749)**	**—**	**—**	**—**	**—**
At 31 December 2022	**2,352**	**365,692**	**271**	**7,002**	**209**	**7,482**

Parent Company	Retained earnings £'000	Other: Investment revaluation £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Total other £'000
At 1 January 2021	61,357	1,135	271	5,924	211	7,541
Profit for the year	8,938	—	—	—	—	—
Dividends paid	(7,620)	—	—	—	—	—
Premium arising from shares issued	—	—	—	340	—	340
Arising on employee share schemes	282	—	—	—	—	—
Unrecognised actuarial loss	23,297	—	—	—	—	—
Deferred tax on actuarial loss	(4,840)	—	—	—	—	—
At 31 December 2021	81,414	1,135	271	6,264	211	7,881
Profit for the year	**15,987**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**(8,383)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**—**	**738**	**—**	**738**
Arising on employee share schemes	**417**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**14,994**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**(3,749)**	**—**	**—**	**—**	**—**	**—**
At 31 December 2022	**100,680**	**1,135**	**271**	**7,002**	**211**	**8,619**

30. Reserves continued

Property revaluation reserve

The property revaluation reserve represents the unrealised surpluses arising on revaluation of the Group occupied land and buildings and is not available for distribution until realised on disposal.

Retained earnings

Retained earnings represent the accumulated profits and losses of the Group. This reserve is distributable to the extent it does not arise from revaluation gains.

Capital redemption reserve

The capital redemption reserve represents the purchase and cancellation by the Company of its own shares and comprises the aggregate nominal value of all the ordinary shares repurchased and cancelled. This reserve in not distributable.

Share premium reserve

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

Capital reserve

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

Investment revaluation reserve

This reserve was carried forward from previous accounting framework, and represents accumulated unrealised revaluation gains. This is distributable only when the related investment in subsidiaries are sold or impaired.

31. Cost of shares held by the ESOP trust

	2022 £'000	2021 £'000
At 1 January	**1,044**	1,176
Disposals	**(77)**	(132)
At 31 December	**967**	1,044

Quoted investments represent own shares held by the Henry Boot PLC Employee Trust as an ESOP to provide an incentive to greater ownership of shares in the Company by its employees.

At 31 December 2022, the Trustee held 391,003 shares (2021: 422,489 shares) with a cost of £966,483 (2021: £1,044,311) and a market value of £918,858 (2021: £1,187,195). All of these shares were committed to satisfy existing grants by the Company under the Henry Boot PLC 2015 Long-Term Incentive Plan. In accordance with IAS 32, these shares are deducted from shareholders' funds. Under the terms of the Trust, the Trustee has waived all dividends on the shares it holds.

32. Cash generated from operations

		Group		Parent Company	
		2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Profit before tax		**45,595**	35,142	**14,001**	7,211
Adjustments for:					
Amortisation of PFI asset	11	**579**	602	**—**	—
Goodwill impairment	11	**203**	203	**—**	—
Depreciation and impairment of property, plant and equipment	12	**3,957**	3,819	**142**	144
Depreciation of right-of-use assets	13	**597**	598	**45**	53
Revaluation (decrease)/increase in investment properties	14	**4,921**	(7,972)	**—**	—
Amortisation of capitalised letting fees	3	**25**	41	**—**	—
Share-based payment expense	4	**1,241**	968	**495**	413
Pension scheme credit		**(3,422)**	(920)	**(3,422)**	(920)
Movements on provision against loans to subsidiaries		**—**	—	**(1)**	(84)
Profit on disposal of property, plant and equipment	3	**(176)**	(16)	**—**	—
Profit on disposal of equipment held for hire	3	**(1,070)**	(981)	**—**	—
Loss on disposal of right-of-use assets	3	**—**	—	**—**	74
Profit on disposal of investment properties		**(646)**	(1,340)	**—**	—
Loss on disposal of assets held for sale		**150**	—	**—**	—
Gain on disposal of joint ventures		**(667)**	—	**—**	—
Finance income	5	**(1,641)**	(724)	**(85)**	(4,544)
Dividends received from subsidiaries		**—**	—	**(26,491)**	(14,530)
Finance costs	6	**2,503**	1,155	**3,372**	2,275
Share of profit of joint ventures and associates	16	**(9,079)**	(8,928)	**—**	—
Operating cash flows before movements in equipment held for hire		**43,070**	21,647	**(11,944)**	(9,908)
Purchase of equipment held for hire	12	**(5,454)**	(5,952)	**—**	—
Proceeds on disposal of equipment held for hire		**1,343**	1,159	**—**	—
Operating cash flows before movements in working capital		**38,959**	16,854	**(11,944)**	(9,908)
Increase in inventories		**(63,701)**	(36,025)	**—**	—
(Increase)/decrease in receivables		**(3,763)**	(22,643)	**(1,183)**	4,677
(Increase)/decrease in contract assets		**(11,701)**	5,772	**—**	—
Increase/(decrease) in payables and provisions		**24,684**	(226)	**2,654**	(3,806)
Decrease in contract liabilities		**(1,027)**	(2,397)	**—**	—
Cash generated from operations		**(16,549)**	(38,665)	**(10,473)**	(9,037)

Net debt is an alternative performance measure used by the Group and comprises the following:

Analysis of net debt[1]:					
Cash and cash equivalents		**17,401**	11,116	**10,316**	2,691
Bank overdrafts	25	**—**	—	**(9)**	—
Net cash and cash equivalents		**17,401**	11,116	**10,307**	2,691
Bank loans	25	**(65,000)**	(50,000)	**(65,000)**	(50,000)
Lease liabilities	13	**(1,033)**	(1,660)	**(64)**	(78)
Net debt		**(48,632)**	(40,544)	**(54,757)**	(47,387)

[1] See 'prior year restatements' on page 159.

33. Guarantees and contingencies

The Parent Company has guaranteed the performance of certain contracts entered into by Group undertakings in the ordinary course of business. These guarantees are impracticable to quantify.

The Parent Company has given cross guarantees to certain of the Group's bankers and bondsmen in respect of facilities available to Group undertakings in the normal course of business. At the year end amounts guaranteed against these facilities were £65,000,000 and £19,036,000 respectively.

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

34. Events after the balance sheet date

Since the balance sheet date the Group has proposed a final dividend for 2022, further information can be found in note 10.

There were no other significant events since the balance sheet date which may have a material effect on the financial position or performance of the Group.

35. Additional information – subsidiaries, joint ventures and associates

Details of the Company's subsidiaries, joint ventures and associates, all of which are incorporated in England (unless otherwise stated) and are either consolidated or equity accounted in the Group Financial Statements at 31 December 2022, are as follows:

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Airport Business Park Southend Management Limited[2]	8.9%	Indirect	Management company
Airport Business Park (Quad) Management Limited	83.3%	Indirect	Management company
Banner Plant Limited	100%	Direct	Plant Hire
Butterfield Quad Management Company Limited[2]	12.5%	Indirect	Management company
Butterfield Quad 2 Management Company Limited[2]	33.3%	Indirect	Management company
Capitol Park Property Services Limited[2]	4.6%	Indirect	Management company
Chocolate Works York Management Company Limited	100%	Indirect	Management company
Clock Tower (York) Management Company Limited	100%	Indirect	Management company
Comstock (Kilmarnock) Ltd.	100%	Indirect	Land promotion
FB Shelfco 2022 Limited	100%	Indirect	Inactive
First National Housing Trust Limited	100%	Direct	Property investment
Glasgowend Limited	100%	Direct	Inactive
Hallam Land Management Limited	100%	Direct	Land promotion
HB Island Limited	100%	Direct	Holding company
HBGP Limited	100%	Direct	Holding company
HBD City Court Limited	100%	Indirect	Property investment and development
HBD Summerhill Limited	100%	Indirect	Property investment and development
HBD X Factory Limited	85%	Indirect	Property development
Henry Boot Biddenham Limited	100%	Direct	Land promotion
Henry Boot Construction Limited	100%	Direct	Construction
Henry Boot Contracting Limited	100%	Direct	Inactive
Henry Boot Developments Limited	100%	Direct	Property investment and development
Henry Boot Cornwall House Limited	100%	Indirect	Property development
Henry Boot Estates Limited	100%	Direct	Property investment
Henry Boot Investments 1 Limited	100%	Indirect	Property development
Henry Boot Inner City Limited	100%	Direct	Inactive
Henry Boot 'K' Limited	100%	Indirect	Property investment and development
Henry Boot Land Holdings Limited	100%	Direct	Holding company
Henry Boot (Launceston) Limited	100%	Direct	Land promotion
Henry Boot Leasing Limited	100%	Direct	Motor vehicle leasing to Group companies
Henry Boot (Manchester) Limited	100%	Direct	Property development
Henry Boot Nottingham Limited	100%	Indirect	Inactive

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Henry Boot Projects Limited	100%	Direct	Inactive
Henry Boot Swindon Limited	100%	Direct	Inactive
Henry Boot Tamworth Limited	100%	Indirect	Inactive
Henry Boot Wentworth Limited	100%	Direct	Property development
IAMP Management Company Limited	100%	Indirect	Management company
Investments (North West) Limited	100%	Indirect	Property development
Marboot Centregate Ltd	100%	Indirect	Inactive
Marboot Centregate 2 Limited	100%	Indirect	Inactive
Moore Street Securities Limited	100%	Direct	Employee benefit trust
Plot 7 East Markham Vale Management Company Limited	66.7%	Indirect	Management company
Preston East Management Company Limited	100%	Indirect	Management company
Road Link (A69) Holdings Limited	61.2%	Indirect	Holding company
Road Link (A69) Limited	61.2%	Indirect	PFI road maintenance
St John's Manchester Limited	100%	Indirect	Property development
Saltwoodend Limited	100%	Indirect	Inactive
SJ Manchester Limited Partnership	100%	Indirect	Inactive
SJM GP Limited	100%	Indirect	Holding company
SJM (Nominee) Limited	100%	Indirect	Holding company
Stonebridge Homes Group Limited[1]	50%	Indirect	Holding company
Stonebridge Homes Limited[1]	50%	Indirect	Property development
Stonebridge Offices Limited[1]	50%	Indirect	Property investment
Winter Ground Limited	100%	Indirect	Inactive
Wyvern Park Skipton Management Company Limited	100%	Indirect	Management company

1 Stonebridge-related entities are included as subsidiaries due to the Group's additional voting rights, having two of the three director appointments.

2 Subsidiary by virtue of management control

35. Additional information – subsidiaries, joint ventures and associates continued

Joint ventures and associates	Proportion of ownership	Direct or indirect	Activity
Aytoun Street Developments Limited	50%	Indirect	Property development
Bigmouth Manchester Limited	50%	Indirect	Property development
Cognito Oak LLP	50%	Indirect	Property development
Crimea Land Mansfield LLP	50%	Indirect	Land promotion
HBB Preston East Ltd	50%	Indirect	Property development
HBB Roman Way Limited	50%	Indirect	Property development
Henry Boot Barnfield Limited	50%	Indirect	Property development
I-Prop Developments Limited	50%	Indirect	Inactive
Island Site Limited Partnership	50%	Indirect	Property development
Island Site (General Partner) Limited	50%	Indirect	Holding company
Island Site (Nominee) Limited	50%	Indirect	Property development
Kirklees Henry Boot Partnership Limited	50%	Indirect	Inactive
Montagu 406 Regeneration LLP	50%	Indirect	Property investment
MVNE LLP	50%	Indirect	Property development
Newmarket Lane Holding Limited	50%	Indirect	Property development
Newmarket Lane Limited	50%	Indirect	Property development
Newmarket Lane Management Company Limited	50%	Indirect	Management company
Rainham HoldCo S.a.r.l.	20%	Indirect	Property investment and development
Road Link Limited	37.6%	Indirect	Inactive

The address of the registered office of all subsidiaries, joint venture and associates is the same as the Parent Company, with the exception of:

Road Link Limited, Road Link (A69) Limited and Road Link (A69) Holdings Limited whose registered office is Stocksfield Hall, Stocksfield, Northumberland, NE43 7TN. Comstock (Kilmarnock) Ltd. whose registered office is 48 St. Vincent Street, Glasgow, G2 5HS. Henry Boot Barnfield Limited, HBB Roman Way Limited and HBB Preston East Limited whose registered office is 8 Kenyon Road, Lomeshaye Industrial Estate, Nelson, Lancashire, England, BB9 5SP. Kirklees Henry Boot Partnership Limited whose registered office is Legal Services, 2nd Floor Civic Centre 3, Huddersfield, West Yorkshire, HD1 2WZ. Cognito Oak LLP whose registered office is Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, Scotland, AB10 1DQ. Island Site Limited Partnership whose registered office is Guardsman Tony Downes House, 5 Manchester Road, Droylsden, Tameside, M43 6SF. Crimea Land Mansfield LLP whose registered office is C/O Harworth Group, Advantage House Poplar Way, Catcliffe, Rotherham, S60 5TR, United Kingdom. Rainham HoldCo S.a.r.l. whose registered office is 1 Rue Isaac Newton, L-2242, Luxembourg.

Residents Management Companies

The companies listed below are Residents Management Companies (RMCs). All RMCs are companies limited by guarantee without share capital (unless otherwise stated) and incorporated in the UK. The capital, reserves and profit or loss for the year has not been stated for these RMCs as beneficial interest in any assets or liabilities of these companies is held by the residents. These companies have not been included in the consolidated accounts, are temporary members of the Group and will be handed over to residents in due course. The registered office of each RMC is 1 Featherbank Court, Horsforth, Leeds, LS18 4QF.

RMCs controlled by the Group:

Woodside Park Newlay Estate Management Company Limited, Fox Valley Management Company Limited[1], Moorlands Cleckheaton Management Company Limited, Brookfield Garth Hampsthwaite Management Company Limited, Kingsley Road Harrogate Management Company Limited, Weyland Road Management Company Limited, Willow Crest Cawood Management Company Limited, The Willows Whinney Lane Management Company Limited, Victoria Gardens (Headingley) Management Company Ltd[1], Derry Hill Menston Management Company Limited and Hawbank Field Skipton Management Company Limited.

1 Company limited by share capital

36. Partly-owned subsidiaries

Financial information of subsidiaries that have a material non-controlling interests is provided below:

Name	Country of incorporation	2022 £'000	2021 £'000
Stonebridge Homes Limited	England	**50%**	50%
Road Link (A69) Limited	England	**61.2%**	61.2%

Name	2022 £'000	2021 £'000
Accumulated balances of material non-controlling interest:		
Stonebridge Homes Limited	**3,687**	2,624
Road Link (A69) Limited	**2,280**	2,822
Profit allocated to material non-controlling interest:		
Stonebridge Homes Limited	**2,182**	1,033
Road Link (A69) Limited	**2,369**	1,467

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	Stonebridge Homes Limited		Road Link (A69) Limited	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Summarised statement of profit or loss				
Revenue	**70,643**	49,505	**13,590**	11,115
Cost of sales	**(56,613)**	(39,790)	**(5,106)**	(5,458)
Administrative and other expenses	**(6,572)**	(6,331)	**(691)**	(657)
Net finance costs	**(2,039)**	(835)	**(254)**	(331)
Profit before tax	**5,419**	2,549	**7,539**	4,669
Tax	**(1,054)**	(482)	**(1,432)**	(887)
Profit for the year	**4,365**	2,067	**6,107**	3,782
Total comprehensive income	**4,365**	2,067	**6,107**	3,782
Attributable to non-controlling interests	**2,182**	1,033	**2,369**	1,467
Dividends paid to non-controlling interests	**1,121**	740	**2,910**	–
Summarised balance sheet				
Non-current assets	**1,110**	1,257	**1,690**	2,271
Inventories	**80,629**	52,464	**–**	–
Trade and other receivables	**6,703**	4,682	**4,710**	3,227
Cash and cash equivalents	**550**	879	**4,080**	6,778
Current liabilities	**(81,150)**	(53,514)	**(3,260)**	(3,335)
Non-current liabilities	**(468)**	(520)	**(1,343)**	(1,669)
Net assets	**7,374**	5,248	**5,877**	7,272
Equity holders of parent	**3,687**	2,624	**3,597**	4,450
Non-controlling interest	**3,687**	2,624	**2,280**	2,822
Summarised cash flow				
Operating	**1,951**	(6,468)	**4,742**	(601)
Investing	**(33)**	(73)	**60**	(202)
Financing	**(2,351)**	4,800	**(7,500)**	–
Net decrease in cash and cash equivalents	**(433)**	(1,741)	**(2,698)**	(803)

4 SHAREHOLDER INFORMATION

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT and requires your immediate attention. If you are in any doubt about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Henry Boot PLC, please forward this document and the accompanying Form of Proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Board of Henry Boot PLC considers all of the proposed resolutions to be in the best interests of shareholders as a whole and accordingly recommends that shareholders vote in favour of all the resolutions proposed.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of Henry Boot PLC (Company) will be held at DoubleTree by Hilton Hotel Sheffield Park, Chesterfield Road South, Sheffield, S8 8BW on Thursday 25 May 2023 at 12.30pm, for the following purposes:

To consider and if thought fit, pass the following resolutions, which will be proposed as ordinary resolutions of the Company.

Resolution 1

To receive the Directors' Report, Auditors' Report, Strategic Report and the Financial Statements for the year ended 31 December 2022.

Resolution 2

To declare a final dividend of 4.00p per ordinary share.

Resolution 3

To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 December 2022.

Resolution 4

To reappoint Timothy Roberts as a Director of the Company.

Resolution 5

To reappoint Darren Littlewood as a Director of the Company.

Resolution 6

To reappoint Joanne Lake as a Director of the Company.

Resolution 7

To reappoint James Sykes as a Director of the Company.

Resolution 8

To reappoint Peter Mawson as a Director of the Company.

Resolution 9

To reappoint Gerald Jennings as a Director of the Company.

Resolution 10

To reappoint Serena Lang as a Director of the Company.

Resolution 11

To reappoint Ernst & Young LLP as auditors of the Company.

Resolution 12

To authorise the Audit and Risk Committee to fix the auditors' remuneration.

Resolution 13

THAT pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £4,457,727, provided that (unless previously revoked, varied or renewed) this authority shall expire on 24 August 2024 or at the conclusion of the next AGM of the Company after the passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under Section 551 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

To consider and if thought fit, pass the following resolutions, which will be proposed as special resolutions of the Company.

Resolution 14

THAT subject to the passing of Resolution 13 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 13 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

a. in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
   i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
   ii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

b. otherwise than pursuant to paragraph a. of this resolution, up to an aggregate nominal amount of £668,659,

and (unless previously revoked, varied or renewed) this power shall expire on 24 August 2024 or at the conclusion of the next AGM of the Company after the passing of this resolution, whichever is the earlier, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Section 570 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Resolution 15

THAT pursuant to Section 701 of the Companies Act 2006, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 10p each in the capital of the Company (ordinary shares) provided that:

a. the maximum aggregate number of ordinary shares hereby authorised to be purchased is 13,373,182;

b. the minimum price (excluding expenses) which may be paid for an ordinary share is 10p;

c. the maximum price (excluding expenses) which may be paid for an ordinary share is not more than the higher of:
   i. an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and
   ii. an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out;

d. the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 24 August 2024; and

e. the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.

By order of the Board

AMY STANBRIDGE
COMPANY SECRETARY

12 April 2023

HENRY BOOT PLC
Registered Office:
Banner Cross Hall
Ecclesall Road South
Sheffield
United Kingdom
S11 9PD

Registered in England and Wales No. 160996

NOTICE OF ANNUAL GENERAL MEETING

Notes

1. The holders of preference shares in the Company are not entitled to attend and vote at the AGM.
2. The right to vote at the meeting is determined by reference to the register of members. Only those ordinary shareholders registered in the register of members of the Company as at the close of business on 23 May 2023 (or, if the meeting is adjourned, at the close of business on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.
3. Voting on each resolution will be conducted by way of a poll. The Company believes that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of votes held and all votes tendered are taken into account. The results of the poll will be announced to the London Stock Exchange and will be made available on the Company's website at www.henryboot.co.uk as soon as practicable following the conclusion of the AGM.
4. An ordinary shareholder is entitled to appoint any other person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company. An ordinary shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that ordinary shareholder. Failure to specify the number of ordinary shares each proxy appointment relates to or specifying a number which when taken together with the numbers of ordinary shares set out in the other proxy appointments is in excess of the number of ordinary shares held by the ordinary shareholder may result in the proxy appointment being invalid.
5. APPOINTMENT OF PROXY BY JOINT HOLDERS: In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holders (the first-named being the most senior).
6. A proxy may only be appointed in accordance with the procedures set out in notes 7 to 9 below and the notes to the form of proxy. The appointment of a proxy will not preclude an ordinary shareholder from attending and voting in person at the meeting.
7. A form of proxy is enclosed with the notice issued to holders of ordinary shares. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed. To be valid, a form of proxy must be received by post (during normal business hours only) at the offices of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 12.30pm on 23 May 2023 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
8. As an alternative to completing the hard copy form of proxy, an ordinary shareholder may appoint the Chair as his or her proxy electronically using the online service at www.investorcentre.co.uk/eproxy. For an electronic proxy appointment to be valid, the appointment must be received by Computershare Investor Services PLC no later than 12.30pm on 23 May 2023 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

   Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Company's registrar. For further information regarding Proxymity, please go to proxymity.io. Your proxy must be lodged by 12.30pm on 23 May 2023 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting) in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
9. CREST members who wish to appoint a proxy or proxies for the AGM (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which is available at euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID: 3RA50) no later than 12.30pm on 23 May 2023 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her

CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

10. An ordinary shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.
11. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Companies Act 2006 (Nominated Person):
    a. the Nominated Person may have a right under an agreement between him/her and the shareholder by whom he/she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting; or
    b. if the Nominated Person has no such right or does not wish to exercise such right, he/she may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

    The statement of the rights of ordinary shareholders in relation to the appointment of proxies in notes 5 to 9 above does not apply to a Nominated Person. The rights described in such notes can only be exercised by ordinary shareholders of the Company.
12. A shareholder or shareholders having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company (see note 17 below), or at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital, may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the meeting relating to either the audit of the Company's Financial Statements (including the Auditors' Report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with auditors of the Company ceasing to hold office since the last AGM of the Company in accordance with Section 527 of the Companies Act 2006.

    Any such request must:
    a. identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement that is being supported;
    b. comply with the requirements set out in note 13 below; and
    c. be received by the Company at least one week before the meeting.

    Where the Company is required to publish such a statement on its website:
    i. it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;
    ii. it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and
    iii. the statement may be dealt with as part of the business of the meeting.
13. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 12:
    a. may be made either:
        i. in hard copy, by sending it to the Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD; or
        ii. in electronic form, by sending it by email to cosec-ir@henryboot.co.uk. Please state 'Henry Boot PLC: AGM' in the subject line of the email;
    b. must state the full name(s) and address(es) of the shareholder(s); and
    c. where the request is made in hard copy form, it must be signed by the shareholder(s).
14. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Companies Act 2006. The Company must answer any such question unless:
    a. to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;
    b. the answer has already been given on a website in the form of an answer to a question; or
    c. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
15. The information required by Section 311A of the Companies Act 2006 to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at henryboot.co.uk
16. Except as expressly provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:
    a. telephone 0114 255 5444; or
    b. email cosec-ir@henryboot.co.uk.

    No other methods of communication will be accepted.
17. As at 03 April 2023 (being the last practicable date before publication of this notice), the Company's issued ordinary share capital was 133,731,826 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.
18. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends.
    a. Copies of the service contracts of the Executive Directors.
    b. Copies of the letters of appointment of the Non-executive Directors.
19. Biographies for each of the Directors are shown on pages 80 to 81 of the annual report for the year ended 31 December 2022.

FINANCIAL CALENDAR

London Stock Exchange announcements

Annual Results 2022:
21 March 2023

Interim Results 2023:
19 September 2023

Pre-close Trading Statement 2023:
end January 2024

Annual Report and Financial Statements

Annual Report and Financial Statements 2022 (available and online):
by 24 April 2023

Annual General Meeting

25 May 2023

Dividends paid on ordinary shares

2022 Final dividend date (subject to approval at AGM):
02 June 2023

2023 Interim dividend date (subject to approval):
13 October 2023

ADVISERS

Chartered Accountants and Statutory Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds LS11 5QR

Bankers

Barclays Bank PLC
1 St Paul's Place
121 Norfolk Street
Sheffield S1 2JW

HSBC UK Bank Plc
City Point
29 Kings Street
Leeds LS1 2HL

National Westminster Bank PLC
2 Whitehall Quay
Leeds LS1 4HR

Corporate Finance

KPMG Corporate Finance
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA

Financial PR

FTI Consulting
200 Aldersgate
Aldersgate Street
London EC1A 4HD

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Solicitors – Corporate

DLA Piper UK LLP
1 St Paul's Place
Sheffield S1 2JX

Solicitors – Operational

Irwin Mitchell LLP
Riverside East House
2 Millsands
Sheffield S3 8DT

Stockbrokers

Numis Securities Limited
Joint Corporate Broker
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Peel Hunt LLP
Joint Corporate Broker
Moor House
120 London Wall
EC2Y 5ET

GROUP CONTACT INFORMATION

Land Promotion

Hallam Land Management Limited

Registered office and Head office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

t: 0114 255 5444
e: info@hallamland.co.uk
w: hallamland.co.uk

Regional offices
Bristol, Glasgow, Leeds, London and Northampton

Property Investment and Development

Henry Boot Developments Limited

Registered office and Head office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

t: 0114 350 4477
e: hello@hbd.co.uk
w: hbd.co.uk

Regional offices
Birmingham, Bristol, Glasgow, Leeds, London and Manchester

Stonebridge Homes Limited

Registered office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

Head office
1 Featherbank Court, Horsforth, Leeds LS18 4QF

t: 0113 357 1100
e: sales@stonebridgehomes.co.uk
w: stonebridgehomes.co.uk

Construction

Henry Boot Construction Limited

Registered office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

Head office
Callywhite Lane, Dronfield, Derbyshire S18 2XN

t: 01246 410111
e: hbc@henryboot.co.uk
w: henrybootconstruction.co.uk

Banner Plant Limited

Registered office
Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD

Head office
Callywhite Lane, Dronfield, Derbyshire, S18 2XS

t: 01246 299400
e: dronfield@bannerplant.co.uk
w: bannerplant.co.uk

Hire centres
Chesterfield, Derby, Dronfield, Leicester, Leeds, Rotherham and Wakefield

Road Link (A69) Limited

Registered office and Head office
Stocksfield Hall, Stocksfield, Northumberland NE43 7TN

t: 01661 842842
e: enquiries@roadlinka69.co.uk

GLOSSARY

We have used some terms in this report to explain how we run our business that might be unfamiliar to you. The following list gives a definition for some of the more frequently used terms:

Commercial property

This refers to buildings or land intended to generate a profit, either from capital gain or rental income, such as office building, industrial property, retail stores, etc.

Disclosure and Transparency Rules (DTR)

Issued by the United Kingdom Listing Authority.

Dividend

A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders.

Earnings per share (EPS)

Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.

ESG

Environmental, Social and Governance

Gearing

Net debt expressed as a percentage of equity shareholders' funds.

IAS

International Accounting Standard.

IFRS

UK-adopted International Financial Reporting Standard.

SONIA

The effective overnight interest rate paid by banks for unsecured transactions in the British sterling market.

Net asset value per share (NAV)

Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.

Operating profit

Profit earned from a company's core activities.

Option agreement

A legal agreement between a landowner and another party for the right to buy land within a set time scale at the conclusion of a satisfactory planning permission.

Ordinary share

Any shares that are not preferred shares and do not have any predetermined dividend amounts. An ordinary share represents equity ownership in a company and entitles the owner to a vote in matters put before shareholders in proportion to their percentage ownership in the company.

PFI contract

A Private Finance Initiative contract is a contract between a public body and a private company and involves the private sector making capital investment in the assets required to deliver improved services. They are typified by long contract lengths, often 30 years or more.

Planning Promotion Agreement (PPA)

A legal agreement between a landowner and another party for a set time scale and financial consideration to promote land through the UK planning system.

Pre-let

A lease signed with a tenant prior to completion of a development.

Retail Prices Index (RPI)/ Consumer Prices Index (CPI)

Monthly inflation indicators based on different 'baskets' of products issued by the Office of National Statistics.

Return on average capital employed (ROCE)

Operating profit/capital employed where capital employed is the average of total assets less current liabilities and pension asset/obligation at the opening and closing balance sheet dates.

S106

Section 106 agreements (S106) are private agreements made between local authorities and developers. They can be attached to a planning permission to make acceptable development which would otherwise be unacceptable in planning terms.

Subsidiary company

A company whose voting stock is more than 50% controlled by another company, usually referred to as the parent company or holding company.

A subsidiary is a company that is partly or completely owned by another company that holds a controlling interest in the subsidiary company.

TCFD

Task Force on Climate-related Financial Disclosures' (https://www.fsb-tcfd.org/)

Total shareholder return (TSR)

Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.

Total accounting return (TAR)

The growth in NAV per share plus dividends paid, expressed as a percentage of NAV per share at the beginning of the period.

UK planning system

This system consists of the process of managing the development of land and buildings. The purposes of this process are to save what is best of our heritage and improve the infrastructure upon which we depend for a civilised existence.

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The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.

Consultancy, design and production by:
jonesandpalmer.co.uk

Henry Boot PLC

Registered office:
Banner Cross Hall, Ecclesall Road South
Sheffield, S11 9PD United Kingdom

Registered in England and Wales no. 160996

Tel: 0114 2555444
Email: cosec-ir@henryboot.co.uk

Stock Code: BOOT.L