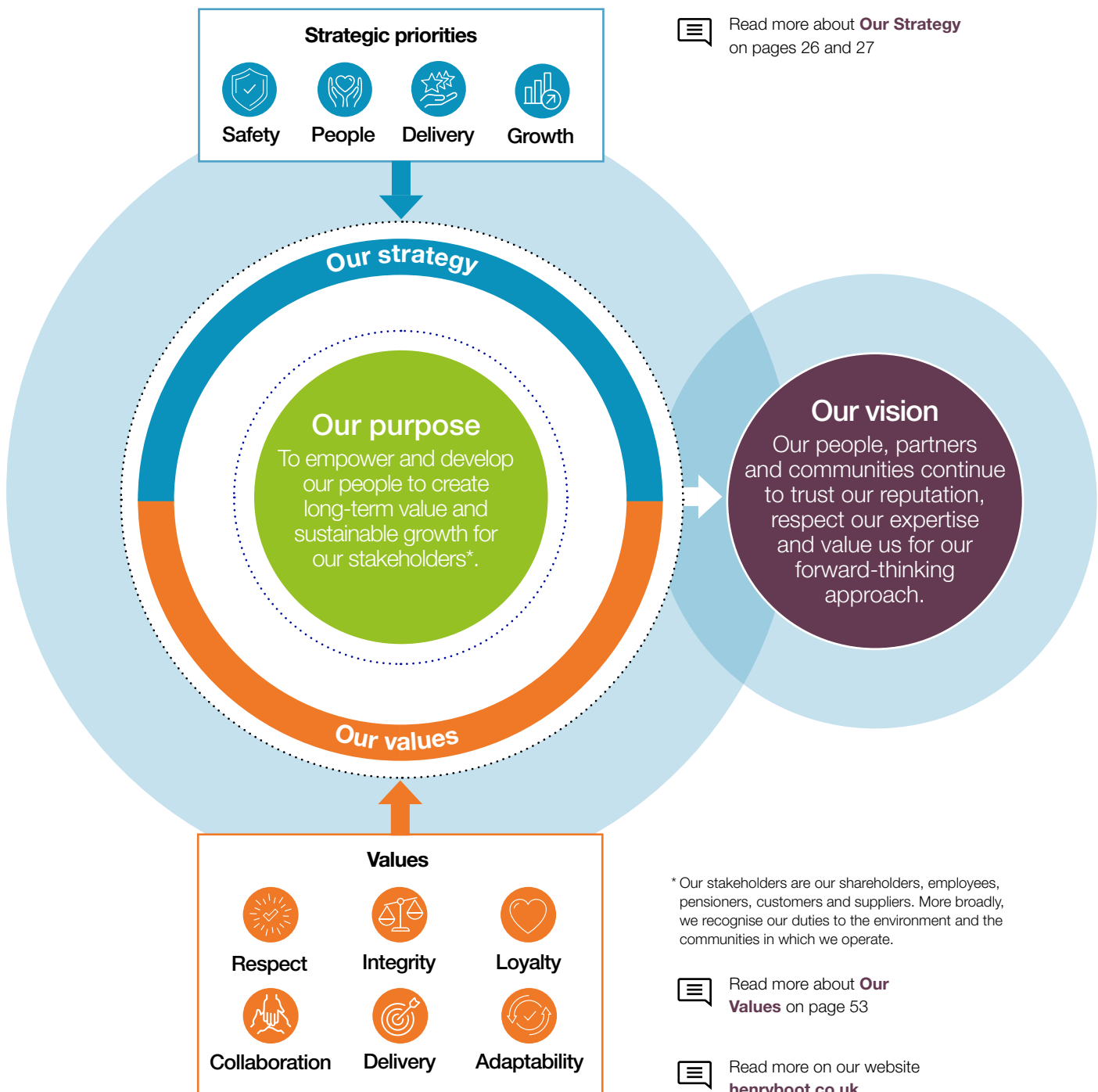


WELCOME TO THE HENRY BOOT PLC ANNUAL REPORT 2019

WE ARE A PURPOSE-LED ORGANISATION



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



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

IN THIS ANNUAL REPORT

BUSINESS OVERVIEW

Welcome and Introduction	Flap
Living our Vision	02
COVID-19 Update	06
Chairman's Statement	08
Group at a Glance	10
2019 Highlights	12
Investment Case	13

STRATEGIC REPORT

Chief Executive Officer Update	16
Business Model	18
– Our Competitive Advantages	21
Market Review	22
Our Strategy	26
Segmental Reviews	
– Land Promotion	28
– Property Investment and Development	30
– Construction	32
Group Finance Director's Review	34
Strategy Review	38
Key Performance Indicators	42
Risks and Uncertainties	44
Corporate Responsibility	51

OUR GOVERNANCE

Board of Directors	64
Senior Management and Company Secretary	68
Chairman's Introduction	70
Corporate Governance Report	
– Division and responsibilities	72
– Board leadership and Company purpose	75
– Composition, success and evaluation:	
– Nomination Committee Report	88
– Audit and Risk Committee Report	94
– Audit, risk and internal control:	
– Corporate Governance Statement	99
– Remuneration	100
– Directors' Remuneration Report	100
Directors' Report	112
Statement of Directors' Responsibilities	117

FINANCIAL STATEMENTS

Independent Auditors' Report	120
Consolidated Statement of Comprehensive Income	130
Statements of Financial Position	131
Statements of Changes in Equity	132
Statements of Cash Flows	133
Principal Accounting Policies	134
Notes to the Financial Statements	144

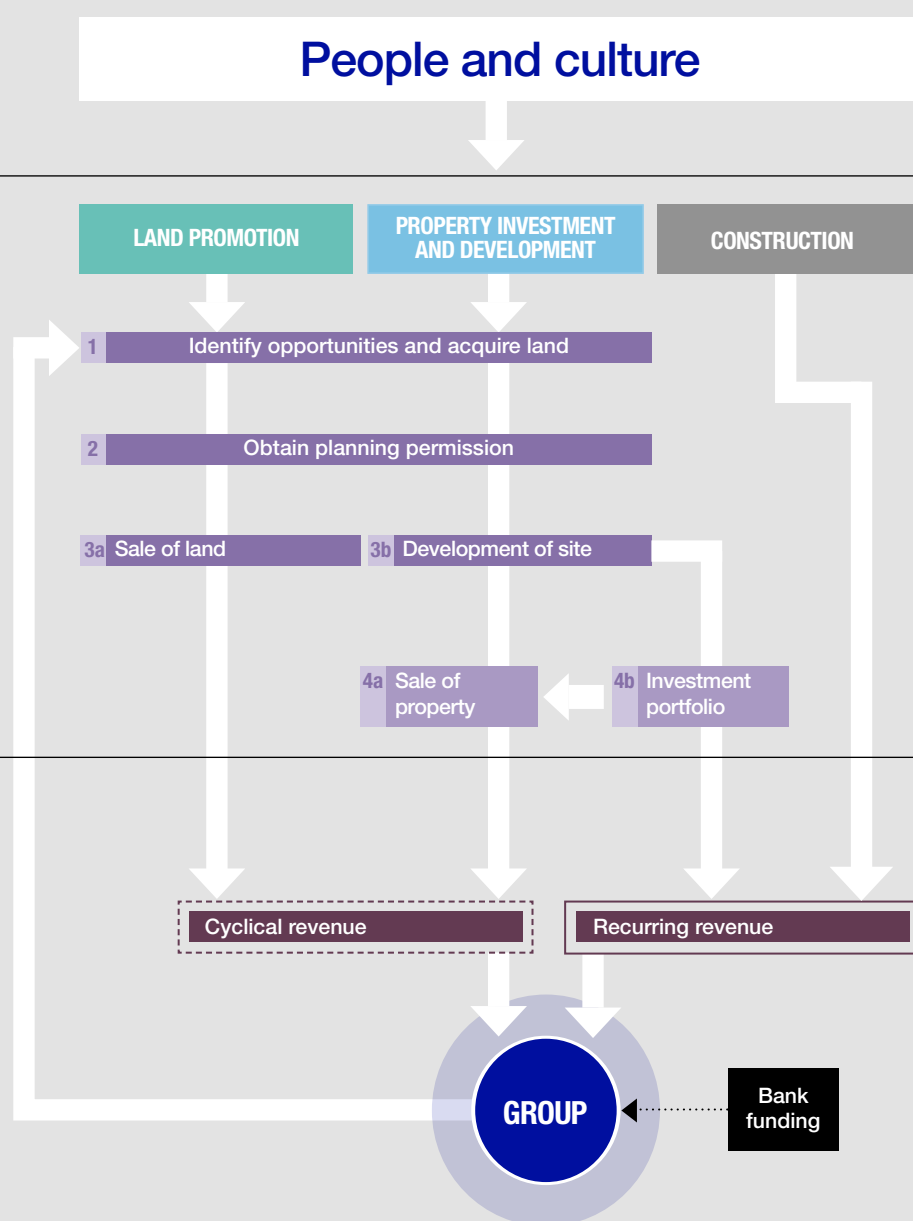
SHAREHOLDER INFORMATION

Notice of Annual General Meeting	184
Financial Calendar	193
Advisers	193
Group Contact Information	194
Glossary	195

WHAT WE DO



People and culture




Partnerships and Joint Ventures




THE HENRY BOOT WAY

Our commitment to being a sustainable business underpins everything that we do and this ethos is fully integrated into our day-to-day operations.

 Read more about **Our people** on pages 54 and 55

CORE OPERATING MODEL

We have been in business for over 130 years and we are valued for our expertise and forward-thinking approach. The business model describes how our three business segments successfully operate for the combined benefit of the Group.

 Read more about **How we operate** on page 18 to 21

 Watch the **Business model video** at www.henryboot.co.uk/about-us/business-model

CAPITAL STRUCTURE AND FINANCIAL STRENGTH

We reinvest the cash generated from these activities into strategic land and property development. Our financial structure allows us to invest in the more profitable areas of the business (strategic land and property development) to maximise the value generated while maintaining prudent gearing levels. The property investment portfolio of Henry Boot Developments generates a sizeable amount of rental income each year which allows us to borrow against the investment portfolio at attractive rates.

OPPORTUNITIES

We actively seek out new ways of working to ensure we can continue to increase our opportunity pipeline.

HOW WE WILL GROW



STRATEGIC PRIORITIES



Safety

We aim to be the safest place to work in our markets.



People

We intend to recruit and retain employees who are empowered to deliver the growing business we aspire to be.




Delivery

We aim to invest appropriately in all our business segments to achieve short-term delivery.



Growth

We aim to grow net assets, increasing opportunity for the long term.

 Read more about **our Strategy Review** on pages 38 to 41



CREATING VALUE FOR OUR STAKEHOLDERS

Read about **Health and Safety** on page 57

Our industry

Protecting the health, safety and welfare of stakeholders is a core priority for our industry. We operate above and beyond the required standards and strive to uphold these across all the Group's operations.

Our people

We invest in our people to develop their skills, expertise and individual potential to help sustain a valuable talent pool for now and the future.

Read more about **Our people** on page 54

Read about **how the Board engages with our people** on page 76

Read about our work in the **Community** on page 58

Our communities

We do not just operate within a community, we work in close partnership to create and develop thriving projects that will last for generations.

Our shareholders

We focus on creating long-term shareholder value through strategic investment and developing opportunities that generate robust, reliable earnings.

Read about our **Investment case** on page 13

Read more about **Shareholder engagement** on page 77

LIVING OUR VISION

TECA ABERDEEN

The Event Complex Aberdeen (TECA)

We completed the £333m TECA development in 2019. The development brought a new 15,000 capacity arena and leisure facilities to Aberdeen.

Link to strategy



Delivery

Generating value for Aberdeen

With 48,000 sq m of flexible event space the facility, benefiting from excellent transport links through the neighbouring Aberdeen International Airport and city bypass, is expected to contribute an additional 4.5m visitors, £113m of visitor spend and £63m net Gross Value Added to the Scottish economy over 10 years. It will also result in the creation of 352 full-time equivalent permanent positions by year 10 of operations.

£333m

Development

48,000 sq m

Flexible event space



“

This has been a huge investment by the council and I'm sure it is something that will make people in the city very proud.

Douglas Lumsden
Council Co-leader

”



LIVING OUR VISION

GLASS WORKS BARNLSLEY

The Glass Works project

In 2016 we commenced construction work on the Glass Works, a Barnsley Town Centre regeneration scheme. The now complete Phase 1 saw a new market and library delivered to the centre. We now have been appointed contractor on Phase 2 of the scheme, which will bring Barnsley centre a 100,000 sq ft retail space, 25,000 sq ft of cafés and restaurants, with a new 13 screen multiplex cinema and ten pin bowling.

Link to strategy



Delivery

Generating value for Barnsley

To date, we have supported over 100 local training, employment and community projects with over £250,000 worth of funding. We have established the Barnsley Construction Skills Village and Better Barnsley bond initiatives – both with the aim of leaving a legacy beyond the completion of the project.

£42m

Phase 1 Contract Value

£88m

Phase 2 Contract Value



“

Henry Boot have already delivered fantastic results, so we are pleased to have them on board for the next phase of the scheme. Their commitment to not only the project but the local community is outstanding and they have made a significant impact in terms of employment and educational opportunities.

Steve Houghton
Leader of Barnsley Council

”



COVID-19 Update

Henry Boot performed strongly throughout 2019, which we are pleased to outline in this announcement. However, it is clear that the COVID-19 pandemic is having a material impact on the Group. Therefore, we believe it is important to provide an update on the unprecedented decisions and actions taken, which have all been driven by our three main priorities:

- The safety and welfare of our people, our customers, our supply chain, and the communities in which we operate
- Operational responses to the latest Government guidance, together with feedback from our people, customers and supply chain
- The long-term financial stability of the Group

1. Safety and welfare

In February, a Committee was formed to develop a COVID-19 action plan and to monitor the impact on our Group. The Committee has been agile to meet the needs created by this period of extreme uncertainty, meeting almost daily since mid-March, with the action plan being constantly refreshed to reflect changing circumstances.

Our office network is closed, and since the lockdown, our people who can work remotely are doing so.

At the end of March, we paused work on our construction sites and closed our plant sales centres, except where essential work or supplies were being delivered to vital NHS sites. This allowed us to carry out a review that ensured we are compliant with new government guidelines, had the ability to gain feedback from customers and suppliers, and crucially, that our people remained safe.

2. Operations

Following our review and the pause in construction activity, all of our construction sites and plant sales centres are now open, adhering to the strict precautions, which have naturally affected our output and efficiency. The position is similar in the sites being operated by our development business. However, all recently completed developments are either pre-sold or let, and nearly all our committed developments are also pre-funded or pre-let. Our jointly owned Leeds-based housebuilder is also operating on all of its sites and, following the change in the Government's guidelines, has reopened its show homes.

The reduced activity affecting construction, housebuilding and plant hire has meant we are utilising the Government's Coronavirus Job Retention Scheme. A minority of our workforce have been furloughed and their pay has been topped up to 100% by the Group. In recent weeks, we have started to reduce the number of people furloughed as we adapt to new working ways and productivity increases.

Our land promotion business continues to operate remotely, identifying and promoting strategic land over the long term. There are several contracted sales due to complete in the near future, and the majority of these are with the UK's major housebuilders.

3. Financial stability

The Group retains a very strong financial base, with a robust balance sheet, and net cash at 30 April 2020 of £45m (31 December 2019: £27m). In addition, we retain a secured, committed, undrawn banking facility of £75m. This facility is subject to a restriction relating to the value of investment property and deferred income and, at 30 April 2020, £51m of this facility was available to the Group.

In assessing the Group's going concern and viability, we have considered the potential impact of the COVID-19 pandemic on the Group, and the effect of both a three-month and six-month UK lockdown. This assumes that no activity is undertaken during 2020 unless it is already contracted, followed by a short to medium-term recovery of the economy. Based on this assessment we believe the Group will have adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future.

We have also sought to reduce variable costs, and to preserve cash, where possible. This includes making the following key decisions:

- Paying a reduced final dividend in recognition of the performance for the year ended 31 December 2019 of 1.3p so that the full year dividend payment for 2019 is 5.0p (56% of the 9.0p paid for FY2018)
- Aligning the remuneration of our people with shareholders with only half of all awarded bonuses, in relation to the FY2019, across the Group being paid
- The Board's executive and non-executive directors have taken a 20% reduction in salary and fees from 1 April
- Measures taken to actively manage cash and curtail both capital and revenue expenditure

As noted in our operations update on 3 April 2020, the Group is currently unable to quantify the impact of COVID-19 on its financial and trading performance for the current year. As a result, we have suspended all existing financial guidance until clarity returns.

There is no doubt that the COVID-19 pandemic is having a material effect on our current operations, but we are on track in our plan to safeguard our people together with maintaining operational capabilities and to preserve our financial resources.

We have always been clear that we are a long-term business, and as such we operate in markets that are dictated by long-term trends:

- The demand for residential development and the land needed to provide much-needed housing
- The development of manufacturing and logistics assets, and urban development concentrated on offices and residential
- Construction with a bias to public sector investment in areas such as hospitals, education and urban regeneration

We believe these long-term trends and markets are sustainable and we are determined in our strategy to make sure we play our part in them in the future.



Pictured: Woodcote Grove, Epsom – A new sustainable Headquarters for Atkins PLC

Chairman's Statement

STRONG POSITION FOR THE FUTURE



JAMIE BOOT

Chairman

I am pleased to report that Henry Boot achieved another strong set of results with profit before tax of £49.1m, which was slightly higher than the previous year (2018: £48.6m). Earnings per share were 28.3p (2018: 28.3p), covering the proposed dividend over 5.6 times. NAV per share increased to 239p (2018: 227p) and we finished the year, having sold the majority of the mixed-use retail- focused assets in our investment portfolio, with £27.0m in net cash. This was a significant achievement considering the level of political and economic uncertainty that affected the UK retail real estate markets during 2019. It also means that we have a strong cash positive balance sheet to withstand the impacts of the COVID-19 pandemic that we are all now experiencing.

Once again, Hallam Land – our land promotion business – performed exceptionally well, selling over 3,400 plots on 22 sites as the leading UK housing developers traded well and replenished land banks with quality sites in good locations. Hallam Land increased its site portfolio to over 14,800 acres, and goes into 2020 with planning permission for over 14,700 plots available to sell, all held at cost with no planning gain value recognition until sale completion, and a further 10,600 plots applied for and within the planning process.

Henry Boot Developments (HBD) – our property investment and development business – successfully concluded The Event Complex Aberdeen (TECA) on time and on budget. This £333m project was the largest we have delivered, and it was great to see it used for the BBC's 'Sports Personality of the Year' programme. Currently, we are committed to deliver 763,000 sq ft of manufacturing and logistics accommodation, and 717 residential units, all of which have either been pre-sold or pre-let. The majority of these residential units are within our Kampus PRS scheme in the centre of Manchester, which has been pre-funded. With a development pipeline of c£1.3bn, we have ample opportunities for the future.

Stonebridge Homes – our jointly owned Leeds-based housebuilder – achieved 159 unit sales (2018: 145 sales). Planning delays continue to affect the speed at which we are able to grow output, and we are looking to secure our first site in the North East, which is a natural extension to our existing geographic focus.

Henry Boot Construction had a successful year; revenue from construction activity was £89.7m (2018: £70.9m), and although COVID-19 will cause significant disruption, we have a strong order book with the added opportunity within the Partnership Homes market, following the acquisition of Starfish Commercial in 2019. Banner Plant had a more difficult year, having incurred a bad debt when one of its largest customers failed, although the team replaced most of the activity lost with this customer during 2019. Road Link A69 continued to perform profitably, to expectations and in line with the previous year.

Dividend

The Board has considered the financial position of the Company, and its ability to withstand the uncertain economic conditions created by COVID-19, very carefully. Notwithstanding our relatively strong position, we believe that it is important in these uncertain times, and for the long-term success of the business, to preserve cash. The Board has therefore concluded that we should recommend a reduced final dividend of 1.3p which, together with the 3.7p interim dividend, gives a total of 5.0p (2018: 9.0p) for the year. We recognise the importance of dividends to all shareholders and, rest assured, we will keep returns to all stakeholders under review as the impacts of the crisis unfold. Payment of the final dividend is subject to shareholder approval at the Annual General Meeting (AGM) and will be paid on 6 July 2020 to shareholders on the register on 12 June 2020.

Our People

Our success in 2019 has, once again, been delivered against a backdrop of political and economic uncertainty, which impacts on the confidence that clients and customers require in order to make positive decisions. In those circumstances, our people have performed



With positive cashflow, a short-term focus on managing our cash reserves, and contingency planning in place, we have readied ourselves to come through the pandemic.

Jamie Boot
Chairman



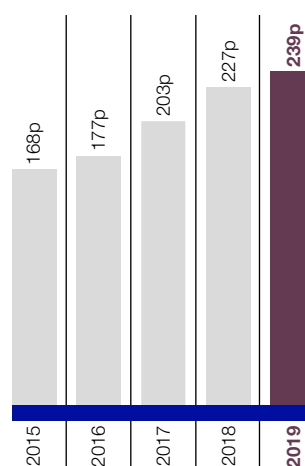
tremendously well to overcome the challenges and deliver a better result than 2018. On behalf of the Board and all stakeholders, I thank all our people for their efforts throughout 2019. Whilst COVID-19 will materially affect the Group's results in 2020, I am sure that with skillful management and the resolute contribution of everyone in our Group, we will overcome the unprecedented challenges that will arise, seeking out new opportunities along the way. I would also like to take this opportunity to welcome Tim Roberts as our new Chief Executive Officer and thank John Sutcliffe for his service to the Group as Finance Director and Chief Executive Officer. John's time with Henry Boot has been extremely valued and I wish him all the best in his retirement endeavours.

Outlook

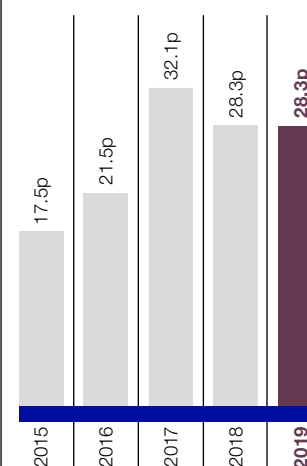
We made significant strategic progress in 2019, achieving a strong financial performance and, significantly, we disposed of most of our mixed-use retail-focused assets. As a result, we ended the year with a strong cash positive balance sheet. Trading in the new year had started well, with a number of commercial and housing developments on track, strategic land transactions confirmed and a strong committed construction order book. Against this, there is no doubt that the COVID-19 pandemic will cause a significant social and economic impact. Our short-term priority is the welfare of our colleagues, the continued robustness of our financial position, and continuing to serve our customers and other stakeholders. With positive cashflow, a short-term focus on managing our cash reserves, and contingency planning in place, we have readied ourselves to come through the pandemic. We are a long-term business, therefore, our ambition for the business remains unchanged. With our new Chief Executive Officer driving the business forward, we will continue to empower our people, with both the financial and technical resources to add to the pipeline of land, housing, construction and commercial development opportunities, delivering sustainable growth and value creation for all stakeholders.

Jamie Boot
Chairman

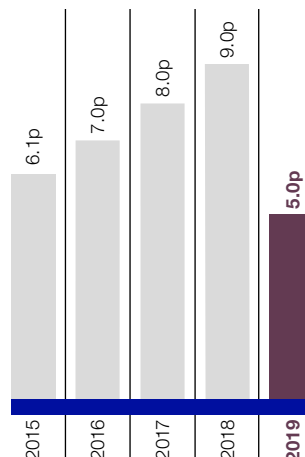
Net asset value per ordinary share **239p**



Earnings per ordinary share **28.3p**



Dividends per ordinary share **5.0p**



Read the **Highlights** on page 12

Read our **Governance report** on page 72

Group at a Glance

EXPERTISE EXPERIENCE AGILITY



LAND PROMOTION

Hallam Land Management Limited

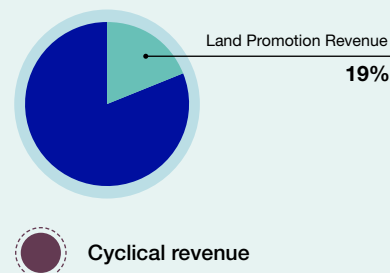
Hallam Land Management

The strategic land and planning promotion arm of the Henry Boot Group. Since 1990 we have been acquiring, promoting and developing land with an outstanding record in achieving planning permission.

Key sectors:

- Housing
- Sustainable communities
- Business parks

Percentage of Group revenue



PROPERTY INVESTMENT AND DEVELOPMENT

Henry Boot Development Limited

Henry Boot Developments

Trading as HBD, one of the most progressive property companies in the UK with its considerable experience and impressive reputation in all sectors of property development. Currently the company has a commercial development pipeline of over £1.3bn.

Key sectors:

- Industrial, leisure, and commercial development
- Urban generation
- Development partnerships
- Residential development

Stonebridge Homes Limited

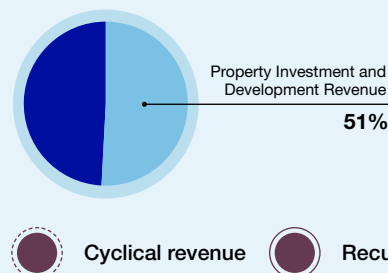
Stonebridge Homes

A jointly owned company (controlled by Henry Boot PLC) in the north of England, which develops family homes that combine care, consideration and attention to detail.

Key sectors:

- Residential development

Percentage of Group revenue





Pictured: Butterfield Business Park, Luton – JV with landowners with potential to provide 650,000 sq ft. of high quality light manufacturing and distribution.

CONSTRUCTION

Henry Boot Construction Limited

Banner Plant Limited

Road Link (A69) Limited

Henry Boot Construction

Specialising in serving both public and private clients in all construction and civil engineering sectors, in which we have strong partnering relationships.

Key sectors:

- Housing
- Civil engineering
- Health, sports and leisure
- Commercial/retail
- Industrial
- Custodial
- Education

Banner Plant

Offering a wide range of construction equipment and services for sale and hire in plant, temporary accommodation, power tools, powered access, big air compressors and serviced toilets.

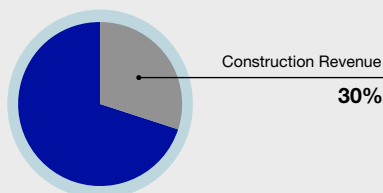
The range of products continues to evolve to meet customer requirements in modern health and safety legislation. Primarily, supply areas stretch from Yorkshire in the north to the East Midlands and Birmingham in the south.


Road Link (A69)

Road Link has a 30-year contract (six years remaining) with Highways England to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne.


Works include road resurfacing, bridge repairs, winter preparation and routine maintenance. Highways England pays Road Link (A69) a shadow toll, which is a fee based upon the number of vehicles using the road and mileage travelled by those vehicles.


Percentage of Group revenue



 Recurring revenue

Type of revenue stream:

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

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

 Read more about our **Business model** on page 18 to 21

 Read more about **Our strategy** on page 26 and 27

2019 Highlights

What we achieved in 2019

Once again we delivered another strong set of results. Despite the political uncertainty during the year we increased profit before tax, grew net assets and finished the year in a cash positive position.

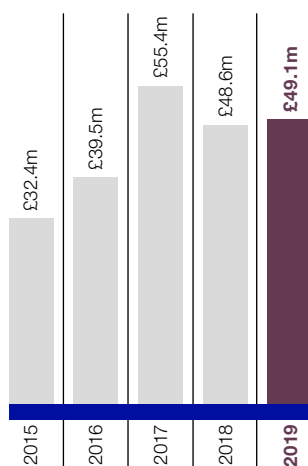
Darren Littlewood
Group Finance Director

Read the **Financial Review** on page 34

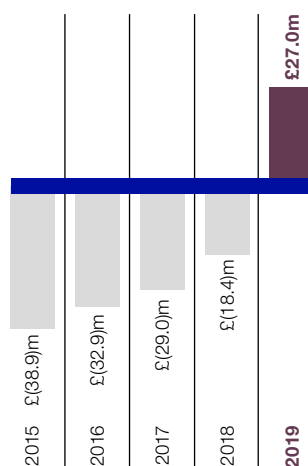
Read the **Segmental Reviews** on page 28 to 33

Financial highlights

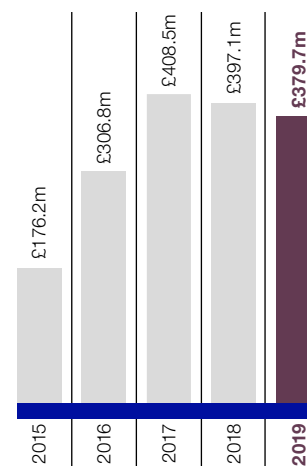
Profit before tax
£49.1m



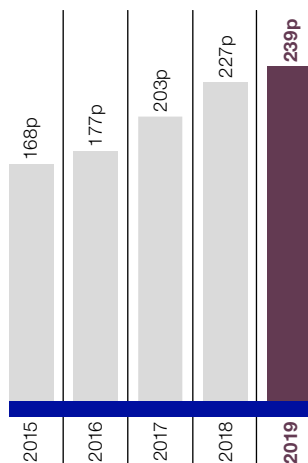
Net cash (debt)
£27.0m



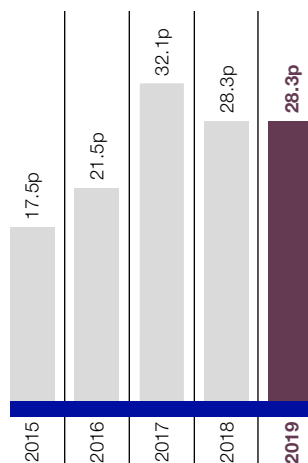
Group revenue
£379.7m



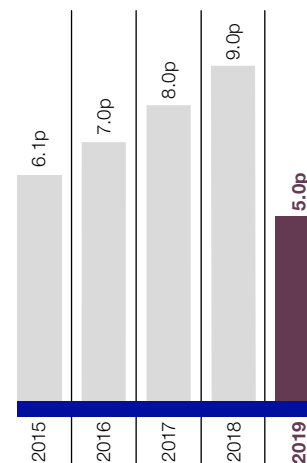
Net asset value per ordinary share
239p



Earnings per ordinary share
28.3p



Dividends per ordinary share
5.0p



Operational highlights

- The Group performed well against the uncertain political backdrop
- Successfully delivered the £333m TECA scheme, in Aberdeen, on time and on budget
- Strategic land increased its profit to £31.8m, by successfully selling 3,427 plots
- Successfully implemented a strategic rationalisation of our investment property portfolio, disposing of approximately £67m primarily with a retail focus
- Our jointly owned house builder Stonebridge Homes achieved 159 sales
- Henry Boot Construction completed Phase 1 of the £44m Glass Works in Barnsley Town centre and has now begun on Phase 2 which is an £88m retail and leisure regeneration scheme

Investment Case

KEY GROWTH DRIVERS

Good financial track record over the long term

- Providing **reliable earnings** through cyclical markets with good visibility from the opportunities under control.
- **Prudent debt levels** and a disciplined approach to risk management
- **Trading profit** produced within our three business segments: Land Promotion, Property Investment and Development, and Construction

Delivering residential communities

- Just under **15,000 acres of strategic land** on 188 sites throughout the UK
- Our strategic land business has the scope to deliver **60,000 to 70,000 housing units** over the next 10 to 20 years, with **14,713 secured planning permission** plots
- Given the well-documented housing shortages and the Government's desire for more housing delivery, **our land portfolio is well positioned** to help deliver these much needed houses

Shareholder returns

- Our long-term strategic aim is to **create shareholder value** through land promotion, property development and construction
- **Strong organic growth drivers** and capital allocation across our three business segments
- Great track record of total shareholder return (TSR). In the past twenty years the company has a compound annual growth rate (CAGR) of 15% Vs. an average 5% of the All Share Index

A long-established and efficient capital structure

- Reinvestment of cash generated in the construction segment into strategic land and commercial development assets to **enhance returns to shareholders**
- We aim to **provide dividend growth** while maintaining at least three times dividend cover to allow for investment in future opportunities, without diluting existing shareholders by raising new equity capital

Delivering commercial opportunity

- A commercial **development pipeline of £1.3bn plus** of Gross Development Value, in addition to over £300m to be delivered over the next three years
- A small but quickly growing jointly owned housebuilder with a **land portfolio of over 1,000 units** and a medium-term planned output of 250 unit sales

10 year TSR performance

