

OUR FUTURE OUR LEGACY

Henry Boot PLC

Annual Report and Financial Statements
for the year ended 31 December 2023

WELCOME TO THE 2023 HENRY BOOT ANNUAL REPORT

Henry Boot has been at the forefront of Real Estate in the UK for 138 years and is established as one of the leading land management, property investment and development, and construction companies in the country.

Our premium portfolio is focused on high quality projects in prime locations with exemplary sustainability credentials.



View our **Online Annual Report** at
henryboot.annualreport2023.com

OUR FUTURE

Our focus on today
and our future...



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OUR LEGACY
...builds on our past and
strengthens our legacy.



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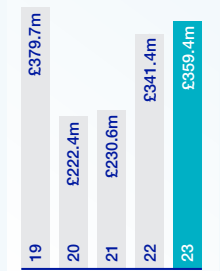
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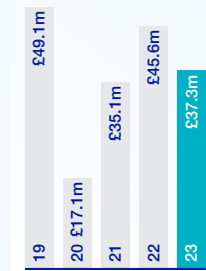
HIGHLIGHTS OF 2023

Financial Highlights

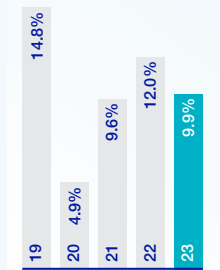
Group Revenue
£359.4m



Profit Before Tax
£37.3m



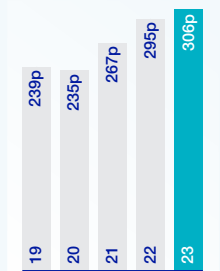
Return on Capital Employed
9.9%



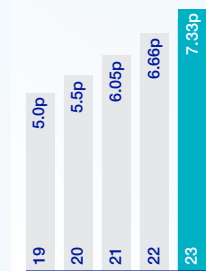
Capital Employed
£416.7m



Net Asset Value per Ordinary Share
306p



Dividend per Ordinary Share
7.33p



Responsible Business Highlights

People



People are at the heart of our business.

We succeed by investing in our own people, improving internal communications, creating a sense of shared purpose, and via policies that include industry-leading approaches on equality, diversity and inclusion (EDI), continuing professional development (CPD), pay and reward structures, employee wellbeing, and health and safety.

Highlights

- We launched our Health and Wellbeing Strategy which is guided by the vision that our people are healthy, fulfilled, and feel supported and empowered. A broad range of resources, events and support was provided throughout the year.
- Nearly 50 of our people completed Mental Health First Aid training to provide support to our people and partners.
- We increased the gender diversity of our workforce to 28% female and reduced our gender pay gap to 20.98%



Partners



We will succeed by developing long term, productive partnerships with those outside the business, through fair terms and conditions (T&Cs), best practice, safety, and through our unwavering commitment to high standards, quality and delivery – in everything we do.

Highlights

- We engaged with experts at the Living Wage Foundation to understand the requirements for us to secure accreditation.
- We engaged business membership organisations including the UK Green Building Council, Business in the Community (BITC) and the Yorkshire Climate Action Coalition to collaborate on key industry issues.

Places



We generate impact through placemaking: via our charitable and community work, as well as by a commitment to creating healthy, high quality communities and neighbourhoods that people can live and work in – and enjoy, for generations.

Highlights

- We concluded our charity partnership with Place2Be raising over £55,000 for this amazing charity.
- We contributed over £225,000 of value to our charity and community partners across our communities.
- Our people contributed over 3,000 volunteering hours to a diverse range of community and charity partners.
- We were a founding member of the Sheffield Pride of Place Board.
- We developed our Early Careers Strategy which is due to be published in 2024.

Planet



Our positive impacts are delivered not only through the sustainability targets in our Responsible Business Strategy, but also by adopting a sustainable mindset across the whole Group. We measure success not just by short-term targets but by the lasting impact our sustainable approach generates.

Highlights

- We reduced our direct greenhouse gas (GHG) emissions by 14% from our 2019 baseline in alignment with our decarbonisation trajectory.
- We reduced our electricity usage by 23% and gas usage by 39%, from our 2019 baselines.
- We engaged the Carbon Trust to support the Group to monitor our Scope 3 GHG emissions.
- Our people-led Group Climate Forum monitors delivery of our net zero carbon (NZC) framework and oversees knowledge transfer and innovation across the Group.



CHAIR'S STATEMENT



PETER MAWSON
CHAIR

“

I am pleased to report that we remain in a strong financial position and have continued to make good progress against our medium term objectives”.

£359.4m

REVENUE
(2022: £341.4M)

£37.3m

PROFIT BEFORE TAX
(2022: £45.6M)

Henry Boot has performed resiliently in 2023, delivering a profit before tax (PBT) of £37.3m (2022: £45.6m) or on an underlying profit basis £36.7m (2022: £56.1m), after excluding revaluation movements on completed investment property. Throughout last year, the Group traded in a slowing economy, facing stubbornly high inflation and rising interest rates. Despite these conditions, our focus on high quality land and development in prime locations has meant the Group delivered an increase in overall sales, growing revenue to £359.4m (2022: £341.4m).

As previously reported, we expect a lag in performance for 2024 due to the time it takes for projects and sales to complete, and we remain cautious of the near-term trading environment. Whilst believing that it is crucial that any new government deals with a reform of the planning system, the outlook for both inflation and interest rates are improving, supported by recent reductions in mortgage rates. With this in mind, it feels as though the UK economy has turned a corner, leaving us with continued conviction in achieving our medium term growth and return targets.

The Group remains in a strong financial position, with a robust balance sheet and NAV per share increasing by 3.7% to 306p (2022: 295p) or by 3.4% to 300p (2022: 290p), excluding the defined benefit pension scheme surplus. Net debt increased to £77.8m (2022: £48.6m) as we maintained our focus on investing in our prime land portfolio, building out our high quality committed development programme and continuing to grow our premium housebuilder. Additionally, there was

continued investment to support our long term ambitions, including the relocation of our head office as well as investment in our people, marketing and technology. This resulted in our gearing moving to 19.0%, which remains within our optimum stated range of 10-20%.

On other strategic objectives that support our long term ambitions of the business, I am pleased to report:

- After launching our Responsible Business Strategy in 2022, we continue to make great progress against our targets. In 2023, we launched our Health and Wellbeing Strategy which includes resources and guidance on a range of key topics, such as neurodiversity and mental health.





- In regard to reducing our total direct greenhouse gas emissions (Scopes 1 and 2), at the end of 2023 there was a 14% reduction against the 2019 baseline, and we are on track to hit net zero carbon (NZC) by 2030.
- In November 2023, we relocated our head office to the Isaacs Building in Sheffield city centre. Our new HQ supports the aim to reduce our carbon footprint and the goal of achieving NZC by 2030, with an expected emission reduction of 79% compared with the former head office. On top of this, it offers a far superior working environment which not only encourages greater collaboration and cohesiveness across our teams but also helps us retain and attract talent.



- The results of our annual Group Employee Engagement Survey were positive, achieving an employee Net Promoter Score of 30 (2022:39). This allows us to gain feedback from our people so we can continually improve our employee experience, and despite a slight decrease in our eNPS, the score is considered very good and 46 points higher than construction and heavy industry averages, while continuing to show very high levels of advocacy, pride and loyalty in Henry Boot.
- Finally, during 2023, we began to assess our brand value proposition by completing a series of internal and external workshops. As a result, I am pleased to say that in early summer we will be launching our refreshed brand, which focuses on improving customer experience and giving greater clarity to our business model.

 Read more about [The relocation of our Head Office](#) on page 19:

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 Property Return. Total Accounting Return.

More details can be found on page 47.

The Board proposes to pay a final dividend of 4.40p per share which, together with the 2.93p interim dividend, gives a total of 7.33p (2022: 6.66p), an increase of 10.0% for the year. Subject to approval at the AGM, this will be paid on 31 May 2024 to shareholders on the register at the close of business on 3 May 2024.

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

PETER MAWSON
CHAIR

OUR FOCUS ON TODAY AND OUR FUTURE ...

Today, our reputation is built on our ability to promote and deliver high quality schemes.

Operating across the UK, and employing over 500 people, our expertise is focused on three long term growth markets.



Industrial & logistics



A market in which we have a strong track record of delivering prime industrial and logistics units across England

- In 2023 the Group completed on 661,000 sq ft of I&L development at a total combined GDV of £104m (HBD share: £89m)
- Henry Boot has a wealth of experience in this market and currently has 59% of its £1.3bn development pipeline sitting within I&L opportunities

Residential



A market in which we continue to grow our presence through one of the largest strategic land portfolios in the country and a growing premium housebuilder

- The Group's land portfolio increased to over 100,000 plots in 2023
- Our jointly owned housebuilder, Stonebridge Homes, increased its annual sales by 43% to 251 homes, whilst simultaneously growing its land bank to over 1,500 plots

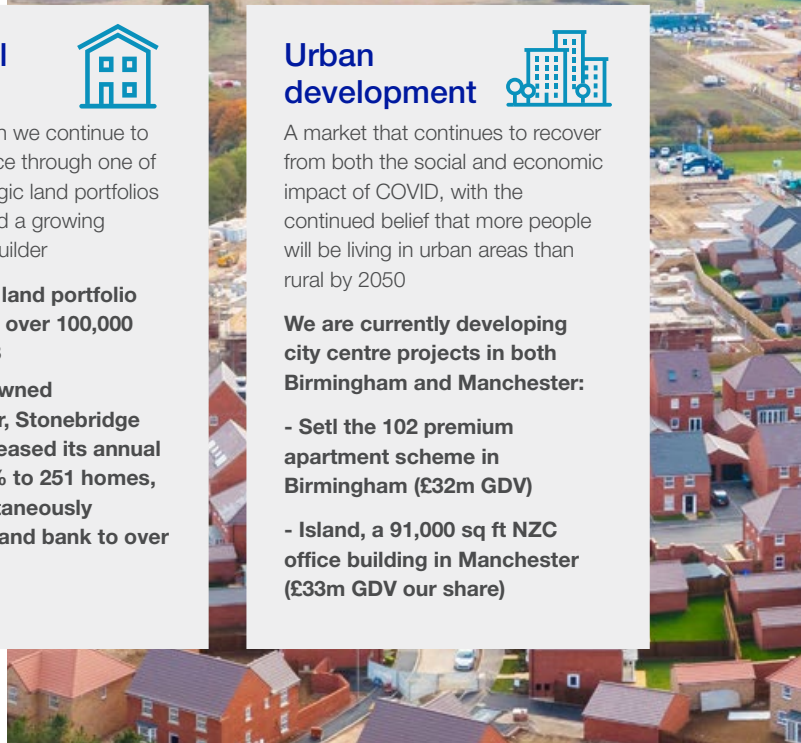
Urban development




A market that continues to recover from both the social and economic impact of COVID, with the continued belief that more people will be living in urban areas than rural by 2050

We are currently developing city centre projects in both Birmingham and Manchester:

- Setl the 102 premium apartment scheme in Birmingham (£32m GDV)
- Island, a 91,000 sq ft NZC office building in Manchester (£33m GDV our share)



Market Review

 Read more about the key long term structural trends driving our three key markets and how they have performed throughout 2023 on pages 22 to 25

... BUILDS ON OUR PAST AND STRENGTHENS OUR LEGACY

Evolving our brand

As a long-standing business with 138 years of history, Henry Boot has always recognised the importance of embracing change.

Whether that be due to market conditions, ever-evolving partner or customer expectations, innovations in technology or simply to seize an opportunity, our aim has always been to remain distinct, yet relevant.

In a post-COVID, challenging economy, this need to evolve has never been more prevalent as brands are continually scrutinised for what 'value' they deliver, not just for shareholders but for all their stakeholders including investors, partners, employees and the communities in which they work.

Like any progressive business that seeks buy-in from others in order to succeed, our impact is now measured in more ways than financial performance alone. We now measure the impact of our work on our people, our partners, our places and our planet. Our brand needs to connect with our target audiences and it needs to stand for something in order to resonate in the hearts and minds of the people we work with and for; and especially with the talent we need to attract in order to progress, grow and succeed.

In 2023 we have undertaken an extensive rebrand exercise to better understand what our 'value' is, what we stand for and how we activate and articulate our brand as a modern, progressive and inclusive business.

We began this journey by facilitating two significant projects. The first was the BVP (brand value proposition) project, an externally facing body of work to discover what 'value' we provide for our external audiences and, secondly, the EVP (employer value proposition) project to unearth what value as an employer we provide for all our people, aside from salaries.

Brand Value Proposition

The BVP project started with diagnosis and research canvassing insights from a broad range of external stakeholders. We then took the findings of that research to our people via three internal workshops to inform how we articulate our positioning, purpose, values, key messaging and our tone of voice. The participants in the workshops were selected from across the group of businesses, from a range of positions and roles, seniority, length of service, ethnicity and gender, to ensure the broadest representation possible.

Employer Value Proposition

In quick succession following the BVP, we quickly launched our second project, the EVP. Again, we canvassed the opinion of another large group of people from across our business to articulate the reasons why people should join Henry Boot and reasons why they should stay. We also explored employee mindsets and personas to help improve internal communications and employee engagement. The insight gathered has informed our talent attraction and talent retention strategies as well as practical business-as-usual people needs such as our on-boarding process, health and wellbeing, skills development and career progression.

What's next?

In 2024, we plan to implement a refreshed corporate brand identity for all our businesses which will be showcased in our next Annual Report.

Henry Boot gave us a legacy we're proud of – which fuels our desire to be a business where great places start. **Then, now, and for future generations.**

GROUP AT A GLANCE

Henry Boot is one of the UK's leading land, property development and construction businesses, renowned for transforming land and places.

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 real estate value chain.

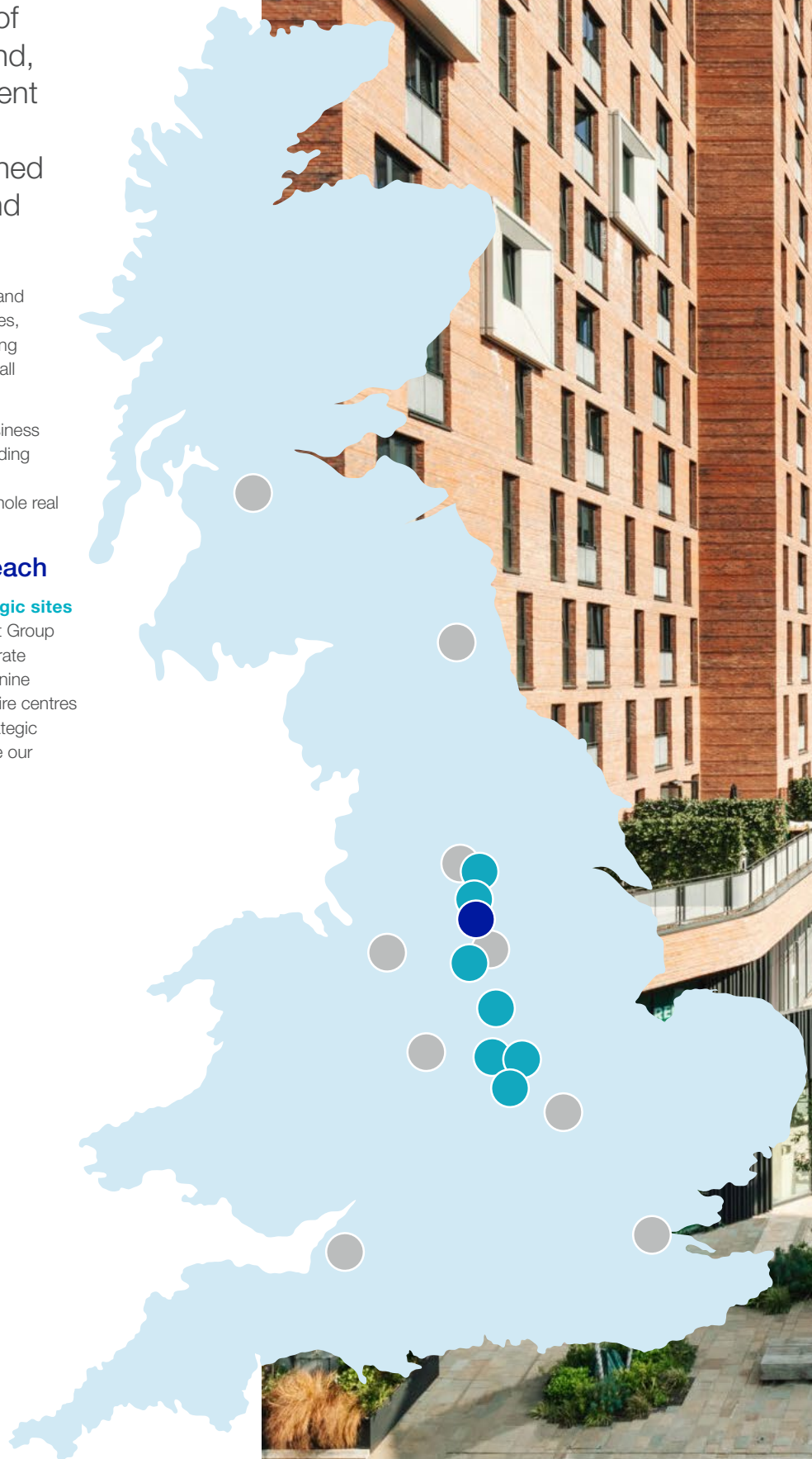
Our Geographical Reach

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



Types of revenue streams

Land Promotion

Hallam Land

Hallam Land has facilitated 52,000 new homes since 1990, managing one of the top four largest land portfolios in the country, with the potential to facilitate over 100,000 homes.

Key Markets



Read more on pages 36 to 37

Property Investment and Development

HBD

Henry Boot Developments (HBD) manages a development pipeline of £1.3bn, the equivalent of 7.1m sq ft of developments across our key markets, whilst maintaining a £113m investment portfolio, of which 73% of the properties have an EPC rating of 'C' or higher.

Key Markets



Read more on pages 38 to 41

Stonebridge

Stonebridge, our jointly-owned home building business, manages a land portfolio capable of delivering over 1,500 new homes, with an ambition to deliver up to 600 new homes a year.

Key Markets



Construction

Henry Boot Construction

Henry Boot Construction has extensive experience in both the public and private sectors, including major projects such as the £200m regeneration of Barnsley town centre, and The Cocoa Works, a £57m residential development in York.

Key Markets



Read more on page 42

Banner Plant

For 65 years, Banner Plant has supplied construction plant and equipment, operating from seven regional depots in the North of England.

Key Markets






Road Link

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

Types of revenue streams

- **Recurring Revenue:** This revenue stream is regular and stable, which allows the Group to maintain long term bank funding relationships.
- **Cyclical Revenue:** This revenue stream is dependent on each economic cycle. These profits, in good years, contribute significantly to the Group's profits

Key to markets

-  Industrial & Logistics
-  Residential
-  Urban Development

INVESTMENT CASE

Five reasons to invest

1

Effective management and shareholder returns

The Group has a strong track record of effectively managing the balance sheet, with a modest gearing of 10 – 20%, whilst continuing to create shareholder value through our strategic focus on delivering sustainable growth. We have delivered attractive returns through the cycle with a 10-year return on capital employed of 12.7% p.a. and total accounting return of 10.8% p.a.

2

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

Our strategy remains achieving long term growth through our focus on three key markets – Industrial & Logistics, Residential and Urban Development. Whilst 2023 saw a reduction in activity across all three of our markets, we continue to have conviction in them over the long term. Industrial property was the best performing commercial real estate sector in 2023 and, after having a subdued year, the residential market has shown initial signs of recovery as price falls ease, with leading indicators suggesting that 2024 will see a recovery in demand for new homes.

3

Significant embedded value in the business

There is significant embedded value across the Group, with our strategic land and property developments held at cost, rather than revalued on a mark-to-market basis. This includes c.101,000 strategic land plots (of which 8,501 have planning permission) and a £1.3bn development pipeline (with 59% focused on Industrial & Logistics). Added to this we have a growing premium housebuilder, with a land bank of 1,513 plots which equates to approximately 5.5 years' supply based on our one year forward sales forecast.

4

Our culture and people

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, with the commitment of achieving NZC by 2030.

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 capital structure

We reinvest the cash generated from our investment portfolio and construction business into more 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 planning and development expertise

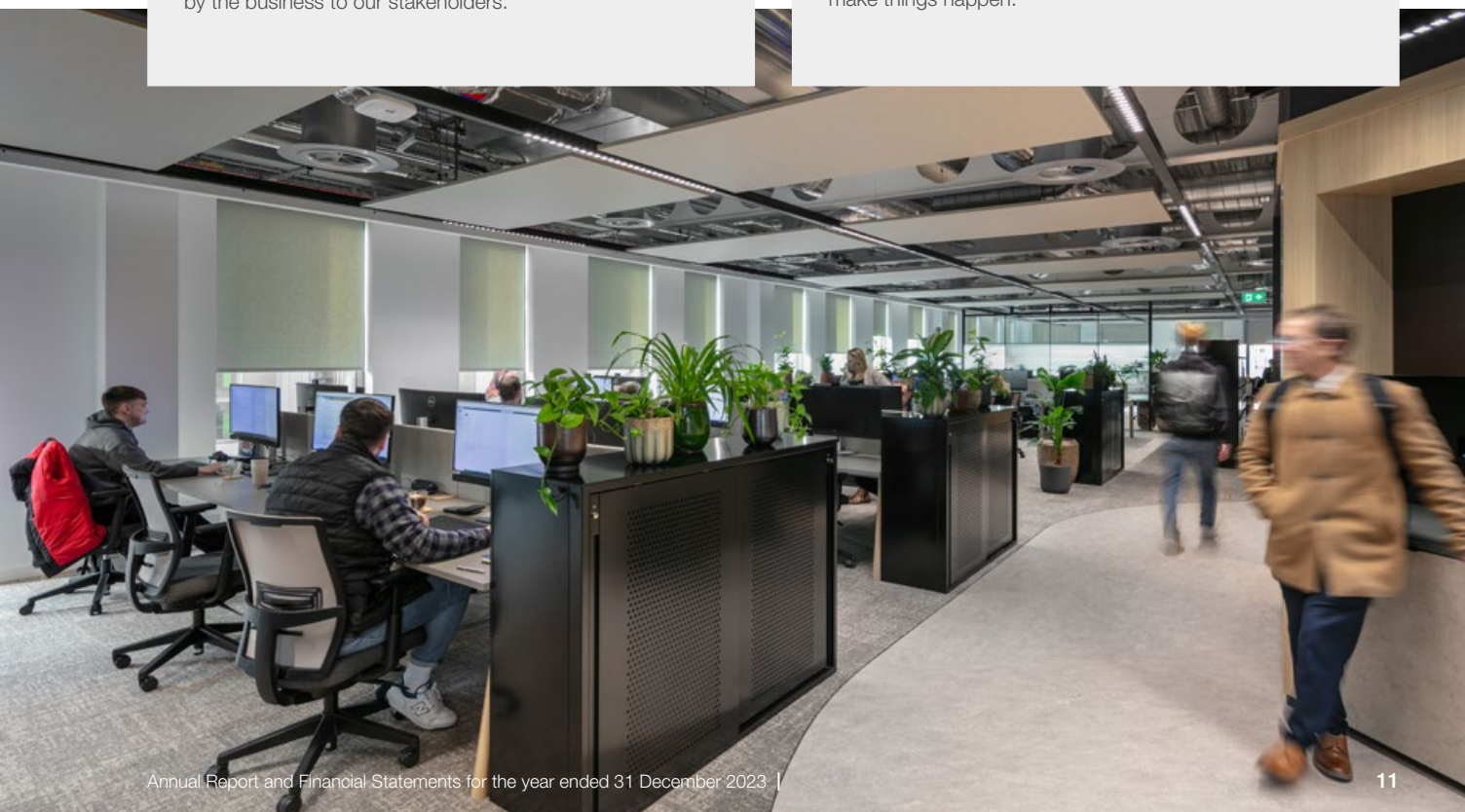
The Group has been in business for 138 years and we are valued for our expertise and forward-thinking approach.

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

Our relationships

We work closely with our stakeholders, including our landowners, key property advisers (who inform us of potential opportunities), and planning consultants and legal advisers.

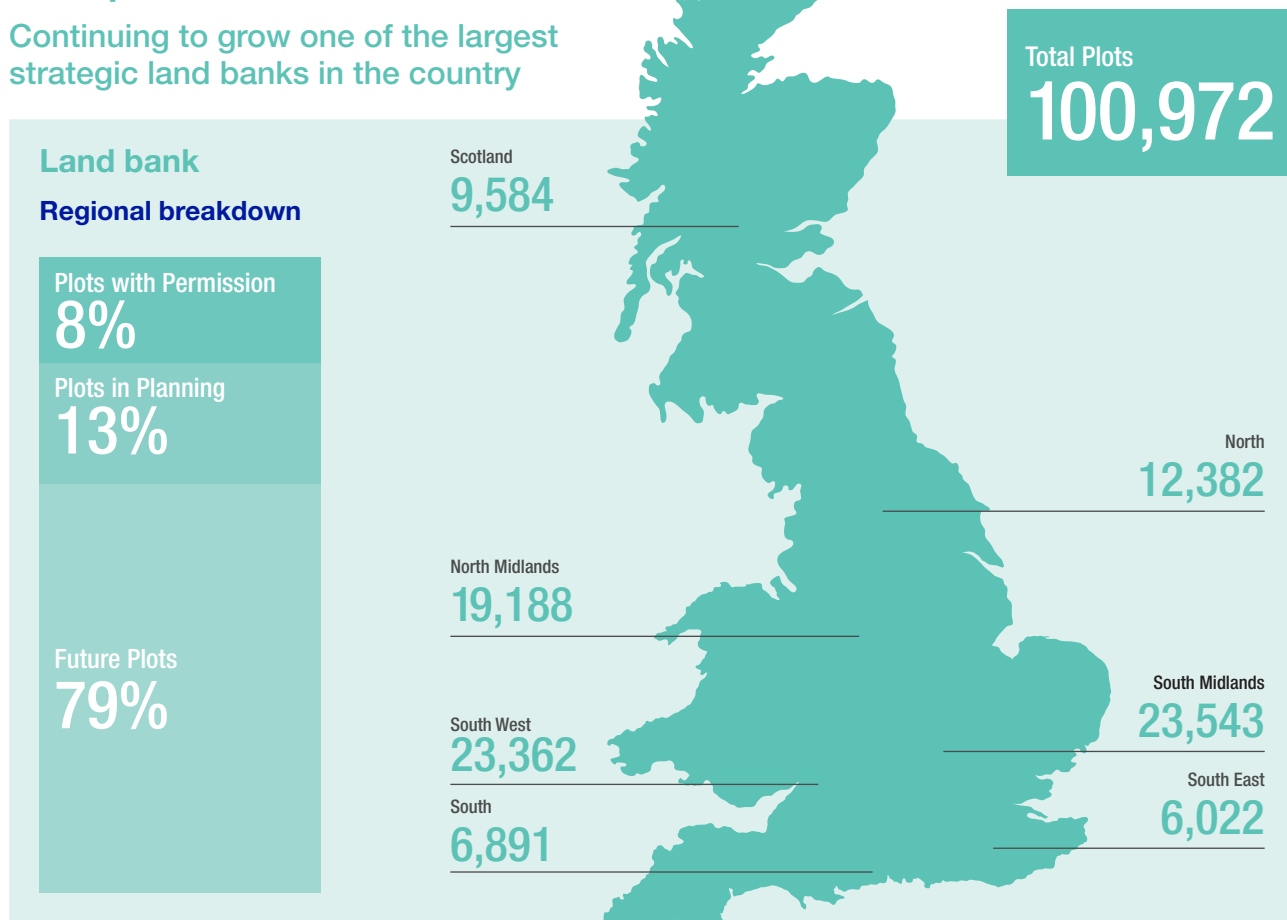
At Henry Boot we pride ourselves on collaboration. We set clear mutual expectations and strive to achieve them. We promote cross-team working and work in partnership to make things happen.



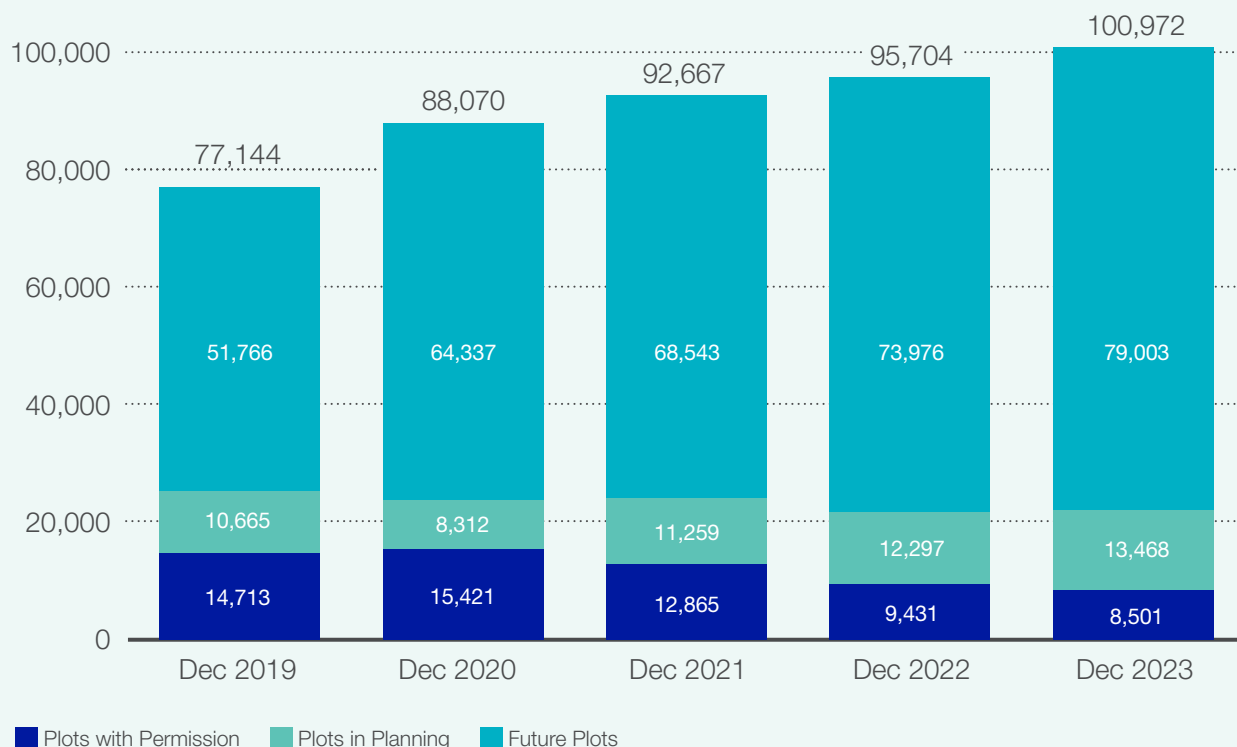
STRATEGIC VALUE IN THE BUSINESS

Land promotion

Continuing to grow one of the largest strategic land banks in the country



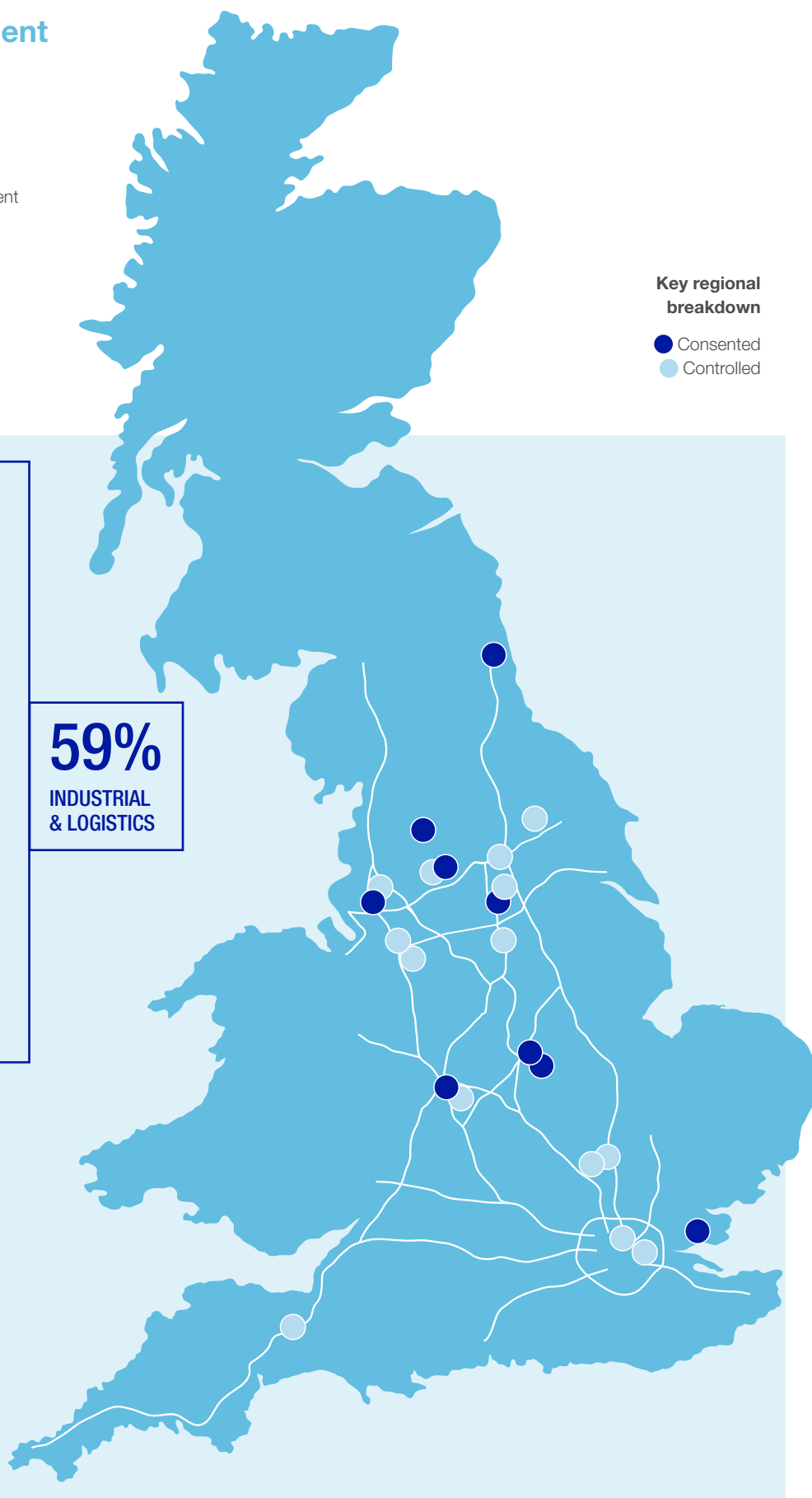
Residential Land Plots



Property investment & development

Future Development Pipeline

The Group has a total development pipeline of £1.5bn GDV (HBD share £1.3bn), with all of these opportunities sitting within the Company's three key markets.



28% Industrial & Logistics: Big Box

31% Industrial & Logistics: Mid/Small Box

20% Urban Residential

21% Urban commercial

59%
INDUSTRIAL & LOGISTICS