

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



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



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



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

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Strategic

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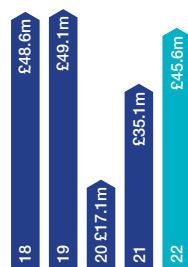
HIGHLIGHTS

Financial Highlights

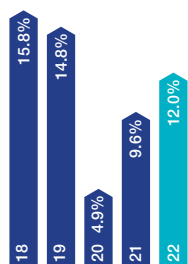
Group Revenue
£341.4m



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	PEOPLE AND SAFETY
To grow capital employed	Work towards a more coordinated H&S approach to ensure our Group is a safe place to work
Medium-term Target £500m	Medium-term Target <395 Accident Incident Rate
Return on average capital employed	Reduce directly controlled greenhouse gas (GHG) emissions
Medium-term Target 10-15%	Medium-term Target 20% reduction
Grow Hallam Land's plot sales	Seek high levels of employee satisfaction and engagement
Medium-term Target c.3,500 pa	Medium-term Target 40 eNPS
Grow HBD development completions	Create a high performance culture led by a range of training opportunities
Medium-term Target c.£200m pa	Medium-term Target 4 days (per employee)
Grow investment portfolio value	
Medium-term Target £150m	
Grow Stonebridge Homes house sales	
Medium-term Target 600 units pa	



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

CLEAR FOCUS...

Group key strategic pillars



Growth



Delivery

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 (NZO) 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.

CHAIR'S STATEMENT

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 TAR⁵ 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.

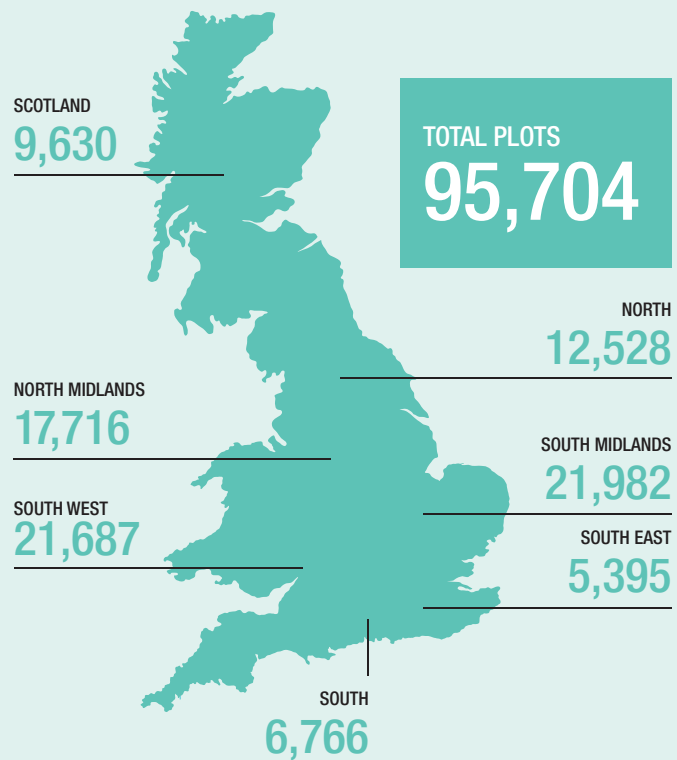
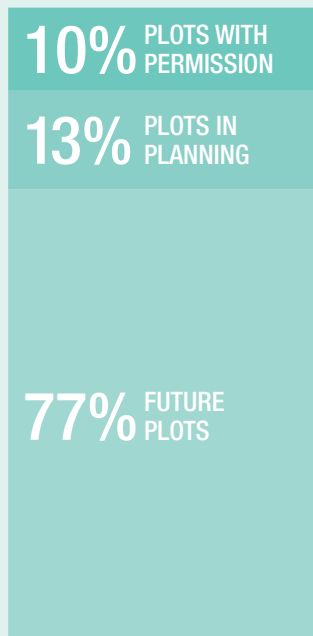


STRATEGIC VALUE IN THE BUSINESS

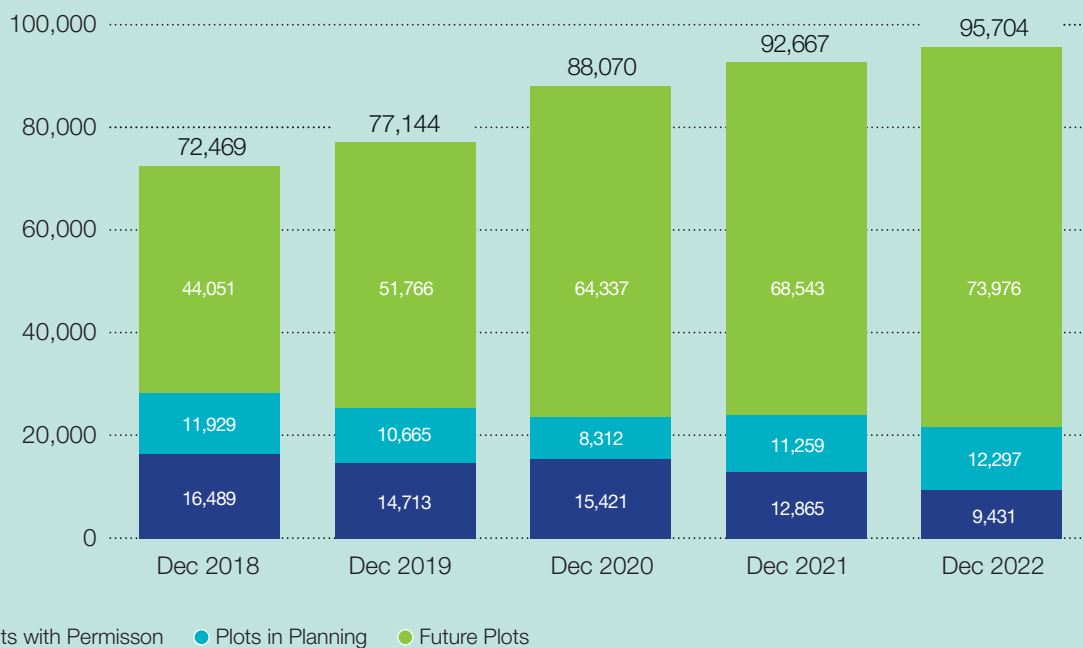
LAND PROMOTION

LAND BANK

Regional breakdown



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.



65%
INDUSTRIAL AND LOGISTICS

