FINANCIAL STATEMENTS

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Pictured The former St Helena Girls Grammar School in Chesterfield, refurbished and transformed to a new campus site for the University of Derby.

INDEPENDENT AUDITORS' REPORT

to the members of Henry Boot PLC

Report on the Financial Statements

Our 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 2016 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

What we have audited

The Financial Statements, included within the Annual Report and Financial Statements (the Annual Report), comprise:

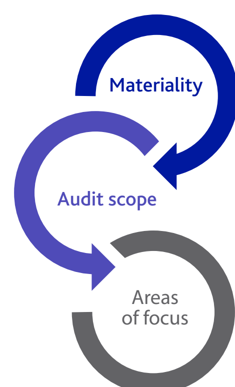
- the Statements of Financial Position as at 31 December 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Statements of Changes in Equity for the year then ended;
- the Statements of Cash Flows for the year then ended;
- the principal accounting policies; and
- the notes to the Financial Statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the Financial Statements. These are cross-referenced from the Financial Statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Financial Statements is IFRSs as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

Our audit approach

Overview



- Overall Group materiality: £2.9m which represents 0.9% of total assets.

- Valuation of investment properties.
- Accuracy and valuation of construction contract balances.
- Completeness and accuracy of land development provision.
- Valuation of pension scheme liability.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)).

We designed our audit by determining materiality and assessing the risks of material mis-statement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material mis-statement due to fraud.

The risks of material mis-statement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the Financial Statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of investment properties We focused on this area because the Group's investment property assets represent a significant proportion of the assets in the Group Statement of Financial Position. The Group's portfolio includes properties at varying stages of completion across various sectors, including mixed-use, industrial and retail. Property valuations are subject to a high degree of judgement as they are calculated from a number of different assumptions specific to each individual property or development site. These include actual and estimated rental values, yields, costs to complete and land values per acre. The Group engages Jones Lang LaSalle to value its completed investment properties in all but the residential sector. The properties valued by Jones Lang LaSalle are valued by applying market-derived capitalisation yields to actual or market-derived rental income specific to each property. Investment properties in the course of construction are valued by management using the residual method of valuation. This involves estimating the gross development value of the property and deducting from this the gross development costs to be incurred and an allowance for anticipated development profits yet to be earned. For all classes of investment property, a relatively small percentage change in valuations of individual properties, in aggregate, could result in a material impact to the Financial Statements.	**Regarding the completed investment properties valued by the external valuer** We tested the underlying data used by the external valuer by agreeing a sample of lettings to our work on rental revenue. This included agreeing rents and other significant contract terms to legal agreements. For each property, we compared the changes in the yields and capital values since the prior year to an expectation based upon industry-specific indices. We also considered the movements in the assumptions in the light of our existing understanding of the Group's portfolio and activities in the year. As a result we identified certain properties where we felt the movements in the yields or capital values warranted further discussion. We held a meeting with management and their external valuers at which we challenged the assumptions used in these valuations by reference to externally published benchmarks. We corroborated the explanations received by reference to the results of our audit procedures in other areas such as rental revenue testing, and by further review of legal documentation and correspondence where necessary. Whilst we identified that for certain properties an alternative yield assumption may be taken, no material adjustments were identified. **Regarding the remaining properties valued by management** We selected a sample of valuations of investment property in the course of construction for testing based on value. We reperformed the calculations provided by management, for which the significant assumptions were expected rental values, forecast yields and costs to complete. We corroborated these assumptions by reference to legal agreements, published indices, subcontractor quotes and completion statements. No material adjustments were identified as a result of our testing.

Area of focus	How our audit addressed the area of focus
Accuracy and valuation of construction contract balances We focused on this area because of the judgements involved in estimating the stage of completion of construction contract activity and assessing costs to complete. This in turn means the assessment of anticipated profits or losses on individual contracts is judgemental. The Group undertakes a number of significant construction contracts and a relatively small change in the judgements applied, such as whether a provision for remedial works is required based on an assessment of risk and magnitude relating to the identified issue, could result in a material mis-statement to the Financial Statements.	We evaluated management's revenue and profit recognition on a sample of contracts that we selected based on factors such as risk and magnitude and found that it was consistent with the supporting evidence obtained. Our work over a sample of contracts included the following: — meeting with in-house quantity surveyors to understand the status of contract work and to understand how the cost to complete had been calculated; — agreeing key contract details to legal documentation; — using computer assisted audit techniques to verify the occurrence of all revenue billed during the year through agreeing amounts certified by third parties to accounts receivable and cash; — we also checked customer acceptance of the work undertaken, considering the implications of any ongoing disputes which included discussions with the Group legal department; — assessing cost to complete schedules for reasonableness, primarily by looking at historical budgeting accuracy; and — we tested a sample of accruals for contract work undertaken by agreeing them to supporting documentation, including subcontractor applications for payment and invoices. We tested a sample of provisions for contract work not yet undertaken to reports prepared by in-house quantity surveyors, correspondence with any claimants and tested the out-turn on similar amounts previously provided for. We also assessed management's overall profit recognition methodology, including a sample assessment of the accuracy of revenue and profit forecasts from prior years. This highlighted that management's forecasting ability was materially consistent with the actual outcomes. No material adjustments were identified as a result of our testing.
Completeness and accuracy of land promotion provision In certain limited circumstances, the Group retains obligations to provide infrastructure and service works in relation to land that it has previously sold. The estimation of the cost of meeting these obligations and of the likely timing of the works is subject to some uncertainty as the sites affected are very large and the associated works take place over a number of years.	We tested the costs to complete included in the provision by agreeing to forecasts from management's external cost consultants. This also included agreeing the estimated timing of cash flows to these same projections. We considered the historic accuracy of the Group's forecast costs to complete by comparing these forecasts with actual costs incurred to date. We reconciled the movement in the provision between December 2015 and December 2016 and discussed the largest movements, by value, with management to ensure we understood the rationale for them. We corroborated the explanations received by reference to external correspondence. We also selected a sample of actual infrastructure costs incurred in the year and agreed them to supplier invoices or completion certificates. We considered the narrative on the supporting documentation reviewed in each case to establish whether the cost had been allocated against the correct element of the brought forward provision (and therefore whether it was correct that the provision had reduced). No material adjustments were identified as a result of the procedures we performed in this area.

Area of focus	How our audit addressed the area of focus
Actuarial assumptions used in accounting for defined benefit pension scheme liabilities The Group has a defined benefit pension scheme net liability which is significant in the context of both the overall balance sheet and the results of the Group. The Group uses an independent actuary to value the pension scheme liabilities under IAS 19. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including salaries increase, inflation, discount rates and mortality) can have a material impact on the calculation of the liability.	We obtained the actuary's report and we used our own actuarial experts to assess the judgemental assumptions such as discount rate, inflation and mortality rates, by comparing key assumptions to externally derived data, as well as our own independently formed assessments, in order to assess whether they were reasonable. We have no exceptions to report as a result of this testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured along three business lines being Property Investment and Development, Land Promotion and Construction. The Group Financial Statements are a consolidation of the 45 reporting units within these three business lines and the Group's centralised functions.

Of the Group's 45 reporting units, we identified six which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics.

Specific audit procedures over investment properties, inventories, borrowings, and property plant and equipment were performed for a further four reporting units, and specific audit procedures were also performed over one joint venture company due to its contribution to the Group's investment in joint ventures and associates. This, together with additional procedures performed on the Group's centralised functions, gave us the evidence we needed for our opinion on the Group Financial Statements as a whole.

All work was performed by the Group audit team.

The reporting units where we performed audit work accounted for 92% of total assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of mis-statements, both individually and on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

Overall Group materiality	£2.9m (2015: £2.5m)
How we determined it	0.9% of total assets (2015: 0.7% of total assets).
Rationale for benchmark applied	The key objective of the Group is to increase long-term shareholder value by maximising the value of assets such as inventory and investment properties. In determining the benchmark we also had regard to the profitability of the Group to ensure that sufficient consideration was given to trading activities. This methodology is consistent with that applied in the prior year.

We agreed with the Audit Committee that we would report to them mis-statements identified during our audit above £145,000 (2015: £125,000) as well as mis-statements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' Statement, set out on page 38, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' Statement about whether they considered it appropriate to adopt the going concern basis in preparing the Financial Statements. We have nothing material to add or to draw attention to.

As noted in the Directors' Statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the Financial Statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

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.

In addition, in light of the knowledge and understanding of the Group, the Parent Company and their environment obtained in the course of the audit, we are required to report if we have identified any material mis-statements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

— Information in the Annual Report is: — materially inconsistent with the information in the audited Financial Statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or — otherwise misleading.	We have no exceptions to report.
— the Statement given by the Directors on page 81, in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit.	We have no exceptions to report.
— the section of the Annual Report on page 64, as required by provision C.3.8 of the Code, describing the work of the Audit Committee, does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

— the Directors' confirmation on pages 34 to 38 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to
— the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to
— the Directors' explanation on page 38 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report — Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 81, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of Financial Statements involves

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material mis-statement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the Financial Statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material mis-statements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
21 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	1	306,806	176,186
Cost of sales		(244,496)	(122,855)
Gross profit		62,310	53,331
Other income	1	40	36
Administrative expenses		(17,958)	(17,235)
Pension expenses	4	(3,774)	(3,689)
		40,618	32,443
Decrease in fair value of investment properties	13	(1,783)	(2,009)
Profit on sale of investment properties		647	747
Profit on sale of assets held for sale		—	485
Operating profit	3	39,482	31,666
Finance income	5	156	1,438
Finance costs	6	(1,670)	(1,617)
Share of profit of joint ventures and associates	15	1,523	923
Profit before tax		39,491	32,410
Tax	7	(8,945)	(7,460)
Profit for the year from continuing operations		30,546	24,950
Other comprehensive (expense)/income not being reclassified to profit or loss in subsequent years:			
Revaluation of Group occupied property	12	30	100
Deferred tax on property revaluations	17	3	509
Actuarial (loss)/gain on defined benefit pension scheme	26	(8,959)	6,002
Current tax on actuarial loss	7	428	—
Deferred tax on actuarial loss/(gain)	17	964	(1,439)
Movement in fair value of cash flow hedge		—	16
Deferred tax on cash flow hedge	17	—	(4)
Total other comprehensive (expense)/income not being reclassified to profit or loss in subsequent years		(7,534)	5,184
Total comprehensive income for the year		23,012	30,134
Profit for the year attributable to:			
Owners of the Parent Company		28,259	23,041
Non-controlling interests		2,287	1,909
		30,546	24,950
Total comprehensive income attributable to:			
Owners of the Parent Company		20,725	28,219
Non-controlling interests		2,287	1,915
		23,012	30,134
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	21.5p	17.5p
Diluted earnings per ordinary share for the profit attributable to owners of the the Parent Company during the year	9	21.3p	17.3p

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

		Group		Parent Company	
	Note	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Assets					
Non-current assets					
Intangible assets	11	4,909	5,757	—	—
Property, plant and equipment	12	21,967	20,984	297	168
Investment properties	13	123,663	125,311	—	—
Investments	14	—	—	8,488	3,021
Investment in joint ventures and associates	15	5,148	3,790	—	—
Trade and other receivables	16	5,592	10,507	—	—
Deferred tax assets	17	5,249	4,323	4,694	3,772
		166,528	170,672	13,479	6,961
Current assets					
Inventories	18	137,915	138,941	—	—
Trade and other receivables	16	66,921	54,448	191,751	197,711
Cash and cash equivalents		7,389	12,041	2,507	10,135
		212,225	205,430	194,258	207,846
Assets classified as held for sale	20	1,050	—	—	—
		213,275	205,430	194,258	207,846
Liabilities					
Current liabilities					
Trade and other payables	21	61,149	64,384	73,689	82,600
Current tax liabilities		4,707	3,636	3,524	3,600
Borrowings	24	33,342	42,836	31,008	40,478
Provisions	25	6,669	5,749	—	—
		105,867	116,605	108,221	126,678
Net current assets		107,408	88,825	86,037	81,168
Non-current liabilities					
Trade and other payables	21	4,615	6,639	—	—
Borrowings	24	6,922	8,137	—	—
Retirement benefit obligations	26	26,396	19,577	26,396	19,577
Provisions	25	2,451	3,595	—	—
		40,384	37,948	26,396	19,577
Net assets		233,552	221,549	73,120	68,552
Equity					
Share capital	29	13,608	13,604	13,608	13,604
Property revaluation reserve	30	3,879	3,964	—	—
Retained earnings	30	210,664	197,895	54,835	49,608
Other reserves	30	4,611	4,548	5,748	5,685
Cost of shares held by ESOP trust	31	(1,071)	(345)	(1,071)	(345)
Equity attributable to owners of the Parent Company		231,691	219,666	73,120	68,552
Non-controlling interests		1,861	1,883	—	—
Total equity		233,552	221,549	73,120	68,552

The Parent Company made a profit for the year of £21,038,000 (2015: £7,357,000).

The Financial Statements on pages 90 to 93 of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 21 April 2017.

On behalf of the Board

J T Sutcliffe
Director

D L Littlewood
Director

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2016

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
		Attributable to owners of the Parent Company							
At 1 January 2015		13,592	3,355	177,664	4,425	(550)	198,486	1,988	200,474
Profit for the year	30	—	—	23,041	—	—	23,041	1,909	24,950
Other comprehensive income		—	609	4,563	6	—	5,178	6	5,184
Total comprehensive income		—	609	27,604	6	—	28,219	1,915	30,134
Equity dividends	10	—	—	(7,664)	—	—	(7,664)	(2,020)	(9,684)
Proceeds from shares issued		12	—	—	117	—	129	—	129
Proceeds on disposal of treasury shares	31	—	—	—	—	4	4	—	4
Share-based payments	30, 31	—	—	291	—	201	492	—	492
		12	—	(7,373)	117	205	(7,039)	(2,020)	(9,059)
At 31 December 2015		13,604	3,964	197,895	4,548	(345)	219,666	1,883	221,549
Profit for the year	30	**—**	**—**	**28,259**	**—**	**—**	**28,259**	**2,287**	**30,546**
Other comprehensive expense		**—**	**33**	**(7,567)**	**—**	**—**	**(7,534)**	**—**	**(7,534)**
Total comprehensive income		**—**	**33**	**20,692**	**—**	**—**	**20,725**	**2,287**	**23,012**
Equity dividends	10	**—**	**—**	**(8,318)**	**—**	**—**	**(8,318)**	**(2,309)**	**(10,627)**
Realised revaluation surplus		**—**	**(118)**	**118**	**—**	**—**	**—**	**—**	**—**
Proceeds from shares issued		**4**	**—**	**—**	**63**	**—**	**67**	**—**	**67**
Purchase of treasury shares	31	**—**	**—**	**—**	**—**	**(959)**	**(959)**	**—**	**(959)**
Share-based payments	30, 31	**—**	**—**	**277**	**—**	**233**	**510**	**—**	**510**
		4	(118)	**(7,923)**	**63**	**(726)**	**(8,700)**	**(2,309)**	**(11,009)**
At 31 December 2016		**13,608**	**3,879**	**210,664**	**4,611**	**(1,071)**	**231,691**	**1,861**	**233,552**

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 2015		13,592	45,256	5,568	(550)	63,866
Profit for the year	8	—	7,357	—	—	7,357
Other comprehensive income		—	4,563	—	—	4,563
Total comprehensive income		—	11,920	—	—	11,920
Equity dividends	10	—	(7,664)	—	—	(7,664)
Proceeds from shares issued		12	—	117	—	129
Proceeds on disposal of treasury shares	31	—	—	—	4	4
Share-based payments	30	—	96	—	201	297
		12	(7,568)	117	205	(7,234)
At 31 December 2015		13,604	49,608	5,685	(345)	68,552
Profit for the year	8	**—**	**21,038**	**—**	**—**	**21,038**
Other comprehensive expense		**—**	**(7,567)**	**—**	**—**	**(7,567)**
Total comprehensive income		**—**	**13,471**	**—**	**—**	**13,471**
Equity dividends	10	**—**	**(8,318)**	**—**	**—**	**(8,318)**
Proceeds from shares issued		**4**	**—**	**63**	**—**	**67**
Purchase of treasury shares	31	**—**	**—**	**—**	**(959)**	**(959)**
Share-based payments	30	**—**	**74**	**—**	**233**	**307**
		4	**(8,244)**	**63**	**(726)**	**(8,903)**
At 31 December 2016		**13,608**	**54,835**	**5,748**	**(1,071)**	**73,120**

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Note	Group 2016 £'000	Group 2015 £'000	Parent Company 2016 £'000	Parent Company 2015 £'000
Cash flows from operating activities					
Cash generated from/(used by) operations	32	**28,545**	5,208	**(1,889)**	(6,321)
Interest paid		**(1,141)**	(1,074)	**(3,154)**	(3,366)
Tax paid		**(7,405)**	(3,934)	**(6,370)**	(2,501)
Net cash flows from operating activities		**19,999**	200	**(11,413)**	(12,188)
Cash flows from investing activities					
Purchase of intangible assets	11	**(606)**	(420)	**—**	—
Purchase of property, plant and equipment	12	**(1,836)**	(1,731)	**(231)**	(107)
Purchase of investment property	13	**(10,181)**	(13,561)	**—**	—
Purchase of investments in joint ventures and associates	15	**(800)**	(1,500)	**—**	—
Proceeds on disposal of property, plant and equipment		**492**	325	**—**	—
Proceeds on disposal of investment properties		**9,430**	7,791	**—**	—
Proceeds on disposal of assets held for sale		**—**	15,275	**—**	—
Interest received		**113**	701	**7,495**	8,109
Dividends received from subsidiaries		**—**	—	**15,201**	10,099
Dividends received from joint ventures		**965**	—	**—**	—
Net cash flows from investing activities		**(2,423)**	6,880	**22,465**	18,101
Cash flows from financing activities					
Proceeds from shares issued		**67**	129	**67**	129
Purchase of treasury shares	31	**(959)**	—	**(959)**	—
Proceeds on disposal of treasury shares		**—**	4	**—**	4
Decrease in borrowings		**(39,128)**	(65,408)	**(30,000)**	(64,226)
Increase in borrowings		**28,421**	75,571	**20,000**	74,226
Dividends paid – ordinary shares	10	**(8,297)**	(7,643)	**(8,297)**	(7,643)
– non-controlling interests		**(2,309)**	(2,020)	**—**	—
– preference shares	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**(22,226)**	612	**(19,210)**	2,469
Net (decrease)/increase in cash and cash equivalents		**(4,650)**	7,692	**(8,158)**	8,382
Net cash and cash equivalents at beginning of year		**12,039**	4,347	**9,657**	1,275
Net cash and cash equivalents at end of year		**7,389**	12,039	**1,499**	9,657
Analysis of net debt:					
Cash and cash equivalents		**7,389**	12,041	**2,507**	10,135
Bank overdrafts	24	**—**	(2)	**(1,008)**	(478)
Net cash and cash equivalents		**7,389**	12,039	**1,499**	9,657
Bank loans	24	**(32,684)**	(42,389)	**(30,000)**	(40,000)
Government loans	24	**(7,580)**	(8,582)	**—**	—
Net debt		**(32,875)**	(38,932)	**(28,501)**	(30,343)

The principal Accounting Policies adopted in the preparation of the Group's IFRS 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, United Kingdom S11 9PD.

Basis of preparation and statement of compliance

The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and therefore complies with Article 4 of the EU IAS regulations. 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.

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 (including structured 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 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 is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Going concern

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Strategic Report on page 38.

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. Jointly controlled entities 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 may not be recoverable or there are further commitments to provide funding. 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 an asset or liability are accounted for in accordance with IAS 39.

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.

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 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Revenue from the sale of land and properties is recognised at the point of legal completion and where title has passed.

Revenue from the Group's PFI concession is recognised by the calculation of 'shadow tolls' which are based on vehicle usage of the A69 for the period of account.

Revenue from operating leases is recognised on a straight line basis over the lease term, except for contingent rental income which is recognised when it arises. 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.

Revenue from the hire of plant and equipment is measured as the fair value of sales proceeds from such which relate to the period of account.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the reporting date and profit is that estimated to fairly reflect the profit arising up to that date.

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 of a contract is an in-house survey of the work performed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue includes an assessment of the amounts agreed in the contract, plus or less any variations in contract work and claims to the extent that they are approved and can be measured reliably. The Group therefore assesses the revenue recognised on a contract by-contract basis.

Variations and claims are changes to the original contractual obligations, which may be valued by contractual rates or agreed rates, or changes to contract conditions, loss and expense, prolongation, disruption or additional prelims. They are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Our judgement on these matters is based on past experience, external valuers, external influences (weather, for example), trends, risk profile and nature of the contract, competency of consultants and legal constraints.

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 and development and trading activities;

— Land Promotion, inclusive of land management, development and trading activities; and

— Construction, inclusive of its PFI company, plant hire and regeneration 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 other mainly 'not for profit' activities.

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 13 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 they are disposed of at their carrying value.

Where specific investment properties have been identified as being for sale within the next twelve 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'.

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 transferred to the revaluation reserve. 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 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 12.5% and 50%
— Vehicles – between 10% and 25%
— Office equipment – between 25% and 33%

Intangible assets excluding goodwill

Intangible assets are stated at cost less accumulated amortisation and impairment. The PFI asset 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 nine years to run.

Leasing

Where the Group acts as a lessee in the case of operating leases, rentals payable are recognised on a straight line basis over the term of the relevant lease.

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.
- Land held for development or sale is land owned by the Group has 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 an agent to 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 incurs 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. These costs are held in inventory at the lower of cost and estimated net realisable value. Upon reimbursement, inventory is reduced by the value of the reimbursed cost.

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.

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-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.

Details regarding the determination of the fair value of share-based transactions are set out in note 29.

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 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. 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.

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.

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 which are recognised and carried at the lower of their original invoiced value and recoverable amount – where the time value of money is material, receivables are carried at amortised cost using the effective interest rate method (see Interest income and expense on page 100). Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Should an amount previously written off prove recoverable the amount written off is reversed through the Consolidated Statement of Comprehensive Income to the extent that the amount written back does not exceed the amortised cost had the write-off not been recognised;
- 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 on page 100);
- Borrowings — see below; and
- Derivatives — see below.

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 until the drawdown occurs. To the extent 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.

Derivatives and hedging

Derivative financial instruments such as interest rate swaps are occasionally entered into in order to manage interest rate risks arising from long-term debt. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of cash flow hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where such derivative transactions are executed, gains and losses on the fair value of such arrangements are taken either to reserves or to the Consolidated Statement of Comprehensive Income, dependent upon the nature of the instrument.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

When a derivative is held as an economic hedge for a period beyond twelve months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if: 1) a reliable allocation can be made; and 2) it is applied to all designated and effective hedging instruments.

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.

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 discounted cash flows to the end of the contract, to the extent of the costs exceeding the economic benefits.

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 25 on page 124.

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.

Dividends

Dividends are only recognised as a liability in the actual period in which they are declared.

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.

Judgements and key assumptions

The critical judgements in applying the Group's Accounting Policies and that have the most significant effect on the amounts recognised in the Financial Statements, apart from those involving estimations (see below), relate to revenue recognition, construction contracts and inventories. All of these are referred to on pages 95 to 98 and each is interpreted by management in the light of IAS 18 'Revenue', IAS 11 'Construction Contracts' 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 26 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 13 to the Financial Statements give details of the valuation methods used and the sensitivity surrounding these estimates; 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 25 to the Financial Statements gives details of the sensitivity surrounding these estimates.

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 2016:

		Effective from
Annual improvements (issued 2013)	'Annual Improvements to IFRSs 2010–2012 Cycle'	1 July 2014#
Annual improvements (issued 2014)	'Annual Improvements to IFRSs 2012–2014 Cycle'	1 January 2016
IAS 1 (amended 2014)	'Disclosure Initiative'	1 January 2016
IAS 16 and IAS 38 (amended 2014)	'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
IAS 16 and IAS 41 (amended 2014)	'Bearer Plants'	1 January 2016
IAS 19 (amended 2014)	'Defined Benefit Plans: Employee Contributions'	1 July 2014#
IAS 27 (amended 2014)	'Equity Method in Separate Financial Statements'	1 January 2016
IFRS 10, IFRS 12 and IAS 28 (amended 2014)	'Investment Entities: Applying the Consolidation Exception'	1 January 2016
IFRS 11 (amended 2014)	'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016

Mandatory for annual periods beginning on or after 1 February 2015.

The adoption of these standards and interpretations has not had a significant impact on the Group.

The Group did not early adopt any standard or interpretation not yet mandatory.

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
Annual improvements (issued 2016)	'Annual Improvements to IFRSs 2014–2016 Cycle'	1 January 2017*
IAS 7 (amended 2016)	'Disclosure Initiative'	1 January 2017*
IAS 12 (amended 2016)	'Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017*
IAS 40 (amended 2016)	'Transfers of Investment Property'	1 January 2018*
IFRIC 22 (amended 2016)	'Foreign Currency Transactions and Advance Consideration'	1 January 2018*
IFRS 2 (amended 2016)	'Classification and Measurement of Share-based Payment Transactions'	1 January 2018*
IFRS 4 (amended 2016)	'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'	1 January 2018*
IFRS 9 (issued 2014)	'Financial Instruments'	1 January 2018
IFRS 14 (issued 2014)	'Regulatory Deferral Accounts'	1 January 2016*
IFRS 15 (issued 2014)	'Revenue from Contracts with Customers'	1 January 2018
IFRS 15 (amended 2016)	'Revenue from Contracts with Customers'	1 January 2018*
IFRS 16 (issued 2016)	'Leases'	1 January 2019*

* Not yet endorsed by the EU.

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 2016, 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	2016 £'000	2015 £'000
Revenue from construction contracts	**55,347**	56,123
Property development	**147,496**	29,400
House builder unit sales	**20,109**	12,319
Land promotion	**51,058**	46,572
PFI concession income	**11,265**	11,126
Plant and equipment hire	**12,772**	12,292
Investment property rental income	**8,250**	8,216
Other rental income	**509**	138
	306,806	176,186
Other income	**40**	36
	306,846	176,222

Contingent rents recognised as income during the year amount to £439,000 (2015: £449,000).

Other income relates to payments received under a debt agreement with the Export Credit Guarantee Department arising from a long-completed contract that was not paid for at the time.

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.

During the year the Property Investment and Development segment made disposals to a single external customer amounting to 14.7% of the Group's total revenue. This related to a single high value contract which commenced in the year and will continue through to 2019. The segment has a number of other contracts in progress and is not reliant on any major customer individually. Revenue for the prior year is derived from a large number of customers and no single customer or group under common control contributed more than 10% of the Group's revenues.

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 94 to 101.

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

	2016					
Revenue	**Property investment and development £'000**	**Land promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	176,232	51,190	79,384	—	—	306,806
Inter-segment sales	314	—	5,044	639	(5,997)	—
Total revenue	176,546	51,190	84,428	639	(5,997)	306,806
Operating profit/(loss)	15,105	18,608	10,288	(4,519)	—	39,482
Finance income	936	1,079	1,172	22,649	(25,680)	156
Finance costs	(6,390)	(1,955)	(484)	(3,145)	10,304	(1,670)
Share of profit of joint ventures and associates	1,523	—	—	—	—	1,523
Profit/(loss) before tax	11,174	17,732	10,976	14,985	(15,376)	39,491
Tax	(1,969)	(3,532)	(2,244)	(1,177)	(23)	(8,945)
Profit/(loss) for the year	9,205	14,200	8,732	13,808	(15,399)	30,546
Other information						
Capital additions	10,278	29	5,371	993	—	16,671
Depreciation	203	18	3,200	601	—	4,022
Impairment	—	—	203	—	—	203
Amortisation	36	—	1,251	—	—	1,287
Decrease in fair value of investment properties	1,783	—	—	—	—	1,783
Provisions	—	831	870	—	—	1,701
Pension scheme credit	—	—	—	(2,140)	—	(2,140)

	2015					
Revenue	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	49,939	46,706	79,541	—	—	176,186
Inter-segment sales	320	—	11,076	643	(12,039)	—
Total revenue	50,259	46,706	90,617	643	(12,039)	176,186
Operating profit/(loss)	7,346	20,039	8,930	(4,649)	—	31,666
Finance income	2,135	666	1,394	18,168	(20,925)	1,438
Finance costs	(6,916)	(1,637)	(422)	(3,391)	10,749	(1,617)
Share of profit of joint ventures	923	—	—	—	—	923
Profit/(loss) before tax	3,488	19,068	9,902	10,128	(10,176)	32,410
Tax	(1,583)	(3,864)	(2,108)	98	(3)	(7,460)
Profit/(loss) for the year	1,905	15,204	7,794	10,226	(10,179)	24,950
Other information						
Capital additions	13,625	13	4,871	1,032	—	19,541
Depreciation	183	13	2,842	599	—	3,637
Impairment	(10)	—	203	—	—	193
Amortisation	52	—	1,193	—	—	1,245
Decrease in fair value of investment properties	2,009	—	—	—	—	2,009
Provisions	—	1,785	1,033	—	—	2,818
Pension scheme credit	—	—	—	(2,579)	—	(2,579)

2. Segment information continued

	2016 £'000	2015 £'000
Segment assets		
Property Investment and Development	**195,830**	193,445
Land Promotion	**136,378**	136,491
Construction	**32,104**	27,013
Group overheads	**2,853**	2,789
	367,165	359,738
Unallocated assets		
Deferred tax assets	**5,249**	4,323
Cash and cash equivalents	**7,389**	12,041
Total assets	**379,803**	376,102
Segment liabilities		
Property Investment and Development	**17,646**	19,334
Land Promotion	**20,893**	20,865
Construction	**33,888**	37,217
Group overheads	**2,457**	2,951
	74,884	80,367
Unallocated liabilities		
Current tax liabilities	**4,707**	3,636
Current borrowings	**33,342**	42,836
Non-current borrowings	**6,922**	8,137
Retirement benefit obligations	**26,396**	19,577
Total liabilities	**146,251**	154,553
Total net assets	**233,552**	221,549

3. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment	**4,022**	3,637
Impairment of goodwill included in administrative expenses	**203**	203
Impairment of land and buildings included in administrative expenses	**–**	(10)
Amortisation of PFI asset included in cost of sales	**1,251**	1,193
Amortisation of capitalised letting fees	**36**	52
Gain on sale of assets held for sale	**–**	(485)
Impairment losses recognised on trade receivables included in cost of sales	**61**	112
Impairment losses recognised on trade receivables included in administrative expenses	**307**	6
Property rentals under operating leases	**295**	276
Decrease in fair value of investment property	**1,783**	2,009
Cost of inventories recognised as expense	**65,912**	50,332
Employee costs	**26,098**	25,208
Amounts payable to Mazars LLP by Road Link (A69) Limited in respect of audit services	**7**	5
Profit on sale of property, plant and equipment	**(506)**	(296)

3. Operating profit continued

The remuneration paid to PricewaterhouseCoopers LLP, the Company's external auditors, was as follows:

	2016 £'000	2015 £'000
Fees payable for the audit of the Company's annual Financial Statements and Consolidated Financial Statements	95	90
Fees payable to the auditors and their associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	114	101
Total audit fees	209	191
Tax compliance services	–	49
Tax advisory services	–	20
Other services	28	10
Total non-audit fees	28	79
Total fees	237	270

In addition, fees of £13,250 (2015: £8,800) were paid to BDO LLP in their capacity as auditors of The Henry Boot Staff Pension and Life Assurance Scheme.

4. Employee costs

	Group		Parent Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Wages and salaries	19,137	18,554	2,690	2,775
Share-based payment expense	510	492	306	297
Social security costs	2,322	2,122	346	342
Defined benefit pension costs (see note 26)	2,464	2,697	(26)	(173)
Defined contribution pension costs (see note 26)	1,220	919	197	178
Other pension costs	90	73	8	9
	25,743	24,857	3,521	3,428

The average monthly number of employees during the year, including Executive Directors, was:

	2016 Number	2015 Number
Property Investment and Development	66	59
Land Promotion	33	33
Construction	172	175
Plant hire	117	115
Parent Company	53	52
	441	434

5. Finance income

	2016 £'000	2015 £'000
Interest on bank deposits	13	78
Interest on other loans and receivables	(88)	1,215
Fair value adjustments on trade receivables	231	145
	156	1,438

6. Finance costs

	2016 £'000	2015 £'000
Interest on bank loans and overdrafts	**1,097**	1,087
Interest on other loans and payables	**128**	155
Fair value adjustments on trade payables	**387**	310
Fair value adjustments on borrowings	**56**	59
Provisions: unwinding of discount (note 25)	**2**	6
	1,670	1,617

7. Tax

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax on profits for the year	**8,927**	5,721
Adjustments in respect of earlier years	**(23)**	(127)
Total current tax	**8,904**	5,594
Deferred tax (note 17):		
Origination and reversal of temporary differences	**41**	1,512
Adjustments in respect of change in UK corporation tax rate	**—**	354
Total deferred tax	**41**	1,866
Total tax	**8,945**	7,460

Corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profit for the year.

As a result of the change in the UK corporation tax rate from 20% to 19% effective from 1 April 2017, substantively enacted on 26 October 2015, and from 19% to 17% effective from 1 April 2020, substantively enacted on 6 September 2016, deferred tax balances at the year end have been measured at 17% (2015: 20% and 18%) 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:

	2016 £'000	2015 £'000
Profit before tax	**39,491**	32,410

	2016 %	2015 %
Tax at the UK corporation tax rate	**20.00**	20.25
Effects of:		
Permanent differences	**3.01**	(0.22)
Tax losses for which no deferred tax asset is recognised	**0.47**	2.86
Adjustment in respect of earlier years	**(0.06)**	(0.39)
Adjustment in respect of change in UK corporation tax rate	**0.00**	1.09
Joint venture results reported net of tax	**(0.77)**	(0.58)
Effective tax rate	**22.65**	23.01

In addition to the amount charged to profit for the year, the following amounts relating to tax have been recognised in other comprehensive income:

	2016 £'000	2015 £'000
Current tax:		
– actuarial loss	**428**	—
Deferred tax:		
– property revaluations	**3**	509
– actuarial loss/(gain)	**964**	(1,439)
– cash flow hedge	**—**	(4)
Total tax recognised in other comprehensive income	**1,395**	(934)

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 21 April 2017 is £21,038,000 (2015: £7,357,000) and includes dividends received from subsidiaries of £15,201,000 (2015: £10,099,000).

9. Earnings per ordinary share

The calculation of the basic and diluted earnings per share is based on the following information:

	2016 £'000	2015 £'000
Profit for the year	**30,546**	24,950
Non-controlling interests	**(2,287)**	(1,909)
Preference dividend	**(21)**	(21)
	28,238	23,020

Number of shares	2016	2015
Weighted average number of shares in issue	**132,052,925**	132,009,797
Less shares held by the ESOP on which dividends have been waived	**(523,606)**	(177,320)
Weighted average number for basic earnings per share	**131,529,319**	131,832,477
Adjustment for the effects of dilutive potential ordinary shares	**1,059,602**	1,231,952
Weighted average number for diluted earnings per share	**132,588,921**	133,064,429

10. Dividends

	2016 £'000	2015 £'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 2015 of 3.80p per share (2014: 3.50p)	**5,006**	4,610
Interim dividend for the year ended 31 December 2016 of 2.50p per share (2015: 2.30p)	**3,291**	3,033
	8,318	7,664

The proposed final dividend for the year ended 31 December 2016 of 4.50p per share (2015: 3.80p) makes a total dividend for the year of 7.0p (2015: 6.10p).

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 £5,920,000.

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 £2,309,000 (2015: £2,020,000).

11. Intangible assets

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2015	4,070	16,134	20,204
Additions at cost	—	420	420
At 31 December 2015	4,070	16,554	20,624
Additions at cost	**—**	**606**	**606**
At 31 December 2016	**4,070**	**17,160**	**21,230**
Accumulated impairment losses and amortisation			
At 1 January 2015	2,103	11,368	13,471
Amortisation	—	1,193	1,193
Impairment losses for the year	203	—	203
At 31 December 2015	2,306	12,561	14,867
Amortisation	**—**	**1,251**	**1,251**
Impairment losses for the year	**203**	**—**	**203**
At 31 December 2016	**2,509**	**13,812**	**16,321**
Carrying amount			
At 31 December 2016	**1,561**	**3,348**	**4,909**
At 31 December 2015	1,764	3,993	5,757
At 1 January 2015	1,967	4,766	6,733

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition 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 Highways England based on the number and type of vehicles using the road. The concession lasts for a period of 30 years and has a further nine years to run, at the end of which the road reverts to Highways England. Whilst the impairment test demonstrates significant headroom, an impairment charge of £203,000 (2015: £203,000) has been recognised during the year to reflect the fact that the PFI concession will revert to Highways England 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 Highways England's 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 2015	7,187	27,490	4,894	2,550	42,121
Additions at cost	—	4,057	1,203	528	5,788
Disposals	—	(1,011)	(1,141)	(1)	(2,153)
Increase in fair value in year	100	—	—	—	100
At 31 December 2015	7,287	30,536	4,956	3,077	45,856
Additions at cost	**—**	**4,048**	**1,404**	**432**	**5,884**
Disposals	**(208)**	**(1,662)**	**(1,310)**	**(226)**	**(3,406)**
Transfers to assets held for sale	**(275)**	**—**	**—**	**—**	**(275)**
Increase in fair value in year	**30**	**—**	**—**	**—**	**30**
At 31 December 2016	**6,834**	**32,922**	**5,050**	**3,283**	**48,089**
Being:					
Cost	**—**	**32,922**	**5,050**	**3,283**	**41,255**
Fair value at 31 December 2016	**6,834**	**—**	**—**	**—**	**6,834**
	6,834	**32,922**	**5,050**	**3,283**	**48,089**
Accumulated depreciation and impairment					
At 1 January 2015	412	18,423	2,579	1,621	23,035
Charge for year	—	2,562	712	363	3,637
Eliminated on disposals	—	(875)	(914)	(1)	(1,790)
Eliminated on revaluation	(10)	—	—	—	(10)
At 31 December 2015	402	20,110	2,377	1,983	24,872
Charge for year	**—**	**2,860**	**762**	**400**	**4,022**
Eliminated on disposals	**(108)**	**(1,414)**	**(1,034)**	**(216)**	**(2,772)**
At 31 December 2016	**294**	**21,556**	**2,105**	**2,167**	**26,122**
Carrying amount					
At 31 December 2016	**6,540**	**11,366**	**2,945**	**1,116**	**21,967**
At 31 December 2015	6,885	10,426	2,579	1,094	20,984
At 1 January 2015	6,775	9,067	2,315	929	19,086

At 31 December 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £73,000 (2015: £3,521,000).

Fair value measurements of the Group's land and buildings

Land and buildings have been revalued at 31 December 2016 by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £6,540,000 (2015: £6,885,000). Jones Lang LaSalle Limited is a professional valuer who holds recognised and professional qualifications and has 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 £2,611,000 (2015: £2,869,000).

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	2016 £'000	2015 £'000	Decrease in fair value in year
Freehold land	—	—	60	**60**	60	**—**
Buildings	—	—	6,480	**6,480**	6,825	**(345)**
Total fair value	—	—	6,540	**6,540**	6,885	**(345)**

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	5.72
	– low	2.34
	– high	12.51
Yield %	– weighted average	8.15
	– low	6.98
	– high	10.35

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%	385
Rental value per sq ft – increase by £1 average	1,060

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 twelve months.

12. Property, plant and equipment continued

Parent Company	Office equipment £'000
Cost	
At 1 January 2015	682
Additions	107
At 31 December 2015	789
Additions	**231**
Disposals	**(216)**
At 31 December 2016	**804**
Depreciation	
At 1 January 2015	545
Charge for year	76
At 31 December 2015	621
Charge for year	**92**
Disposals	**(206)**
At 31 December 2016	**507**
Carrying amount	
At 31 December 2016	**297**
At 31 December 2015	168
At 1 January 2015	137

13. 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	**2016 £'000**	2015 £'000	**Increase/ (decrease) in fair value in year**
Completed investment property						
Industrial	—	—	14,700	**14,700**	12,770	**1,930**
Leisure	—	—	12,475	**12,475**	7,704	**4,771**
Mixed-use	—	—	53,564	**53,564**	58,993	**(5,429)**
Residential	—	—	3,720	**3,720**	4,313	**(593)**
Office	—	—	2,830	**2,830**	—	**2,830**
Retail	—	—	13,619	**13,619**	19,914	**(6,295)**
	—	—	100,908	**100,908**	103,694	**(2,786)**
Investment property under construction						
Industrial	—	—	525	**525**	518	**7**
Land	—	—	1,214	**1,214**	2,112	**(898)**
Office	—	—	7,556	**7,556**	4,500	**3,056**
Retail	—	—	13,460	**13,460**	14,487	**(1,027)**
	—	—	22,755	**22,755**	21,617	**1,138**
Total fair value	—	—	123,663	**123,663**	125,311	**(1,648)**

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.

13. 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 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	Industrial	Leisure	Mixed-use	Residential	Office	Retail		
Fair value hierarchy	Level 3 £'000	Level 3 £'000	Level 3 £'000	Level 3 £'000	Level 3 £'000	Level 3 £'000	**2016 £'000**	2015 £'000
Fair value								
At 1 January	12,770	7,704	58,993	4,313	—	19,914	**103,694**	99,117
Subsequent expenditure on investment property	1	11	959	—	2,970	256	**4,197**	1,602
Capitalised letting fees	—	—	39	—	—	7	**46**	91
Amortisation of capitalised letting fees	(1)	(7)	(23)	—	—	(4)	**(35)**	(45)
Disposals	—	—	(1,394)	(70)	—	(6,706)	**(8,170)**	(1,879)
Transfers to assets held for sale	—	—	—	—	—	(775)	**(775)**	(1,351)
Transfer to inventories	—	—	—	(452)	—	—	**(452)**	(504)
Transfers from investment property under construction	—	—	—	—	—	1,322	**1,322**	7,292
Transfers between class	—	4,491	(4,491)	—	—	—	**—**	—
Increase/(decrease) in fair value in year	1,930	276	(519)	(71)	(140)	(395)	**1,081**	(629)
At 31 December	**14,700**	**12,475**	**53,564**	**3,720**	**2,830**	**13,619**	**100,908**	103,694
Adjustment in respect of tenant incentives	—	315	1,371	—	—	331	**2,017**	2,571
Market value at 31 December	**14,700**	**12,790**	**54,935**	**3,720**	**2,830**	**13,950**	**102,925**	106,265

13. 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 purchasers 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 account 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 2016 by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £99,205,000 (2015: £101,952,000). Jones Lang LaSalle Limited is a professional valuer who holds recognised and professional qualifications and has recent experience in the location and category of the investment property 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 property. For all 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 2016 has been determined by the Directors of the Company at £3,720,000 (2015: £4,313,000). 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):

		2016					
Class		**Industrial**	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield	Yield
Rental value per sq ft (£)	– weighted average	**4.53**	**16.38**	**12.60**	**—**	**19.46**	**13.89**
	– low	**4.53**	**1.67**	**1.50**	**—**	**19.46**	**9.09**
	– high	**4.53**	**40.86**	**53.50**	**—**	**19.46**	**21.41**
Yield %	– weighted average	**5.68**	**5.79**	**7.87**	**—**	**9.05**	**4.84**
	– low	**5.68**	**5.07**	**6.00**	**—**	**9.05**	**4.53**
	– high	**5.68**	**7.86**	**18.94**	**—**	**9.05**	**7.65**
% discount applied to houses held under assured tenancies		**—**	**—**	**—**	**25.00**	**—**	**—**

		2015				
Class		Industrial	Leisure	Mixed-use	Residential	Retail
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield
Rental value per sq ft (£)	– weighted average	4.53	16.17	13.07	—	7.70
	– low	4.53	2.50	1.83	—	2.47
	– high	4.53	40.86	58.39	—	28.50
Yield %	– weighted average	6.60	5.89	7.93	—	5.44
	– low	6.60	5.22	6.00	—	4.36
	– high	6.60	9.82	18.71	—	11.51
% discount applied to houses held under assured tenancies		—	—	—	25.00	—

There is considered to be no inter-relationship between observable and unobservable inputs.

13. 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 2016 £'000					
	Industrial	**Leisure**	**Mixed-use**	**Residential**	**Office**	**Retail**
Yield – improvement by 0.5%	**1,190**	**1,017**	**3,420**	**—**	**147**	**1,209**
Rental value per sq ft – increase by £1 average	**3,253**	**788**	**4,490**	**—**	**146**	**876**
Tenancy discount – increase by 1%	**—**	**—**	**—**	**50**	**—**	**—**

	Impact on valuation 2015 £'000					
	Industrial	Leisure	Mixed-use	Residential	Office	Retail
Yield – improvement by 0.5%	898	979	3,556	—	—	1,855
Rental value per sq ft – increase by £1 average	2,820	768	4,475	—	—	2,520
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 twelve 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 £8,250,000 (2015: £8,216,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £555,000 (2015: £540,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £1,103,000 (2015: £1,023,000).

At 31 December 2016, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £2,047,000 (2015: £776,000).

Investment property under construction

Class	Industrial Level 3	Land Level 3	Office Level 3	Retail Level 3	**2016**	2015
Fair value hierarchy	£'000	£'000	£'000	£'000	**£'000**	£'000
Fair value						
At 1 January	518	2,112	4,500	14,487	**21,617**	42,443
Subsequent expenditure on investment property	7	1	2,314	3,532	**5,854**	11,731
Capitalised letting fees	—	—	—	84	**84**	137
Amortisation of capitalised letting fees	—	—	—	(1)	**(1)**	(7)
Disposals	—	—	—	(613)	**(613)**	(4,929)
Transfer to assets held for sale	—	—	—	—	**—**	(11,812)
Transfer to inventories	—	—	—	—	**—**	(7,274)
Transfers to completed investment property	—	—	—	(1,322)	**(1,322)**	(7,292)
(Decrease)/increase in fair value in year	—	(899)	742	(2,707)	**(2,864)**	(1,380)
At 31 December	**525**	**1,214**	**7,556**	**13,460**	**22,755**	21,617
Adjustment in respect of tenant incentives	—	—	—	—	**—**	—
Market value at 31 December	**525**	**1,214**	**7,556**	**13,460**	**22,755**	21,617

13. Investment properties continued

Information about fair value measurements using significant unobservable inputs (Level 3):

		2016			
Class		**Industrial**	**Land**	**Office**	**Retail**
Valuation technique		Residual	Sales comparison	Residual	Residual
Rental value per sq ft (£)	– weighted average	**—**	**—**	**26.00**	**12.39**
	– low	**—**	**—**	**26.00**	**9.00**
	– high	**—**	**—**	**26.00**	**24.00**
Yield %	– weighted average	**—**	**—**	**6.50**	**6.65**
	– low	**—**	**—**	**6.50**	**6.50**
	– high	**—**	**—**	**6.50**	**6.94**
Costs to complete per sq ft (£)	– weighted average	**—**	**—**	**74.89**	**105.60**
	– low	**—**	**—**	**74.89**	**31.46**
	– high	**—**	**—**	**74.89**	**138.86**
Land value per acre (£'000)	– weighted average	**120**	**218**	**—**	**—**
	– low	**120**	**107**	**—**	**—**
	– high	**120**	**1,382**	**—**	**—**

		2015			
Class		Industrial	Land	Office	Retail
Valuation technique		Residual	Sales comparison	Residual	Residual
Rental value per sq ft (£)	– weighted average	—	—	26.00	14.55
	– low	—	—	26.00	10.00
	– high	—	—	26.00	33.65
Yield %	– weighted average	—	—	6.25	5.90
	– low	—	—	6.25	4.65
	– high	—	—	6.25	7.49
Costs to complete per sq ft (£)	– weighted average	—	0.79	216.65	154.82
	– low	—	0.79	216.65	64.69
	– high	—	0.79	216.65	225.76
Land value per acre (£'000)	– weighted average	120	201	—	—
	– low	120	102	—	—
	– high	120	396	—	—

13. Investment properties continued

The sensitivity analysis to significant changes in unobservable inputs relating to fair value measurements (Level 3) are set out below:

	Impact on valuation 2016 £'000			
	Industrial	Land	Office	Retail
Yield – improvement by 0.5%	—	—	2,113	1,382
Rental value per sq ft – increase by £1 average	—	—	1,605	1,367
Costs to complete – increase by 1%	—	—	30	195
Land value per acre – increase by 5%	26	156	—	—

	Impact on valuation 2015 £'000			
	Industrial	Land	Office	Retail
Yield – improvement by 0.5%	—	—	1,026	5,932
Rental value per sq ft – increase by £1 average	—	—	454	4,041
Costs to complete – increase by 1%	—	1	30	313
Land value per acre – increase by 5%	26	105	—	—

Investment properties under construction are developments which have been valued at 31 December 2016 at fair value by the Directors of the Company using the residual method at £22,755,000 (2015: £21,617,000). 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.

14. Investments

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2015, 31 December 2015 and 31 December 2016	35,772
Fair value adjustments	
At 1 January 2015	(31,963)
Provisions for losses	(788)
At 31 December 2015	(32,751)
Reversal of provisions for losses	5,467
At 31 December 2016	(27,284)
Carrying amount	
At 31 December 2016	8,488
At 1 January 2016	3,021
At 1 January 2015	3,809

The original cost of shares has been reduced by provisions for losses where necessary and enhanced where the Directors have considered it appropriate to reflect the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements were £1,115,000 in 1975 and £1,135,000 in 1989.

Amounts due from and to subsidiary companies are listed in notes 16 and 21 and details of all subsidiary companies are listed in note 34. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of:

- Road Link (A69) Holdings Limited which is 61.2% owned by Henry Boot Construction Limited;
- Capitol Park Property Services Limited which is 5% owned by, and under board control of, Henry Boot Developments Limited;
- Waterloo Court Management Company Limited which is 17% owned by, and under board control of, Henry Boot Developments Limited;
- Stonebridge Projects Limited which is 50% owned by, and under board control of, Henry Boot Land Holdings Limited; and
- Stonebridge Offices Limited which is indirectly 50% owned by, and under board control of, 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.

Subsequent events

On 1 April 2017 Banner Plant Limited acquired the assets and on-going business of Premier Plant and Tool Hire Limited for £2.8m.

15. Investment in joint ventures and associates

Group	2016 Joint ventures £'000	2016 Associates £'000	2016 Total £'000	2015 Joint ventures £'000	2015 Associates £'000	2015 Total £'000
Cost						
At 1 January	**2,290**	**1,500**	**3,790**	1,367	—	1,367
Share of profit for the year	**1,502**	**21**	**1,523**	923	—	923
Additions	**800**	**—**	**800**	—	1,500	1,500
Dividends received	**(965)**	**—**	**(965)**	—	—	—
At 31 December	**3,627**	**1,521**	**5,148**	2,290	1,500	3,790

The Group's share of its joint ventures' and associates' aggregated assets, liabilities and results are as follows:

	2016 Joint ventures £'000	2016 Associates £'000	2016 Total £'000	2015 Joint ventures £'000	2015 Associates £'000	2015 Total £'000
Investment property	**6,187**	**—**	**6,187**	5,884	—	5,884
Current assets	**3,409**	**1,530**	**4,939**	654	1,500	2,154
Non-current assets	**—**	**66**	**66**	—	—	—
Total assets	**9,596**	**1,596**	**11,192**	6,538	1,500	8,038
Current liabilities	**(2,639)**	**(75)**	**(2,714)**	(948)	—	(948)
Non-current liabilities	**(3,330)**	**—**	**(3,330)**	(3,300)	—	(3,300)
Net investment	**3,627**	**1,521**	**5,148**	2,290	1,500	3,790

	2016 Joint ventures £'000	2016 Associates £'000	2016 Total £'000	2015 Joint ventures £'000	2015 Associates £'000	2015 Total £'000
Revenue	**8,097**	**26**	**8,123**	458	—	458
Administration and other expenses	**(6,504)**	**(1)**	**(6,505)**	(175)	—	(175)
Increase in fair value of investment properties	**262**	**—**	**262**	690	—	690
Operating profit	**1,855**	**25**	**1,880**	973	—	973
Finance (costs)/income	**(98)**	**—**	**(98)**	(50)	—	(50)
Profit before tax	**1,757**	**25**	**1,782**	923	—	923
Tax	**(255)**	**(4)**	**(259)**	—	—	—
Share of profits after tax	**1,502**	**21**	**1,523**	923	—	923

Details of the Group's investments in joint ventures and associates are listed in note 34.

16. Trade and other receivables

	Group 2016 £'000	Group 2015 £'000	Parent Company 2016 £'000	Parent Company 2015 £'000
Trade receivables	**66,392**	50,270	**296**	73
Prepayments	**3,487**	12,326	**633**	672
Amounts owed by related companies	**2,634**	2,359	**—**	—
Amounts owed by Group undertakings	**—**	—	**190,822**	196,966
	72,513	64,955	**191,751**	197,711
Due within one year	**66,921**	54,448	**191,751**	197,711
Due after more than one year	**5,592**	10,507	**—**	—
	72,513	64,955	**191,751**	197,711

Included in the Group's trade receivables balance are receivables with a carrying amount of £5.1m (2015: £4.3m) which are past due at the reporting date and for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

16. Trade and other receivables continued

Ageing of past due but not impaired trade receivables

	2016 £'000	2015 £'000
30–60 days	**4,145**	3,337
60–90 days	**230**	693
90–120 days	**515**	130
120+ days	**247**	164
	5,137	4,324

Movement in the allowance for doubtful receivables

	2016 £'000	2015 £'000
At 1 January	**303**	235
Impairment losses recognised	**368**	118
Amounts written off as uncollectable	**(21)**	(17)
Amounts recovered during the year	**(2)**	(33)
At 31 December	**648**	303

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	2016 £'000	2015 £'000
0–30 days	**46**	40
30–60 days	**4**	2
60–90 days	**4**	2
90–120 days	**34**	28
120+ days	**560**	231
	648	303

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 are unsecured and are stated net of provisions for irrecoverable amounts of £2,390,000 (2015: £4,248,000), of which £3,000 (2015: £1,688,000) has been provided in the year and £1,861,000 (2015: £nil) has been recovered in the year.

The Parent Company has no impaired trade receivables.

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 allowances for doubtful receivables, estimated by the Group's management based on prior experience and its assessment of the current economic environment.

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.

17. Deferred tax

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. The amounts after offsetting are as follows:

Deferred tax asset

Group	Accelerated capital allowances £'000	Property revaluations £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 1 January 2015	303	939	5,632	249	7,123
Recognised in income	53	(1,209)	(670)	(40)	(1,866)
Recognised in other comprehensive income	—	509	(1,439)	(4)	(934)
At 31 December 2015	356	239	3,523	205	4,323
Recognised in income	**266**	**(242)**	**—**	**(65)**	**(41)**
Recognised in other comprehensive income	**—**	**3**	**964**	**—**	**967**
At 31 December 2016	**622**	**—**	**4,487**	**140**	**5,249**
Parent Company					
At 1 January 2015	30	—	5,632	257	5,919
Recognised in income	(2)	—	(670)	(36)	(708)
Recognised in other comprehensive income	—	—	(1,439)	—	(1,439)
At 31 December 2015	28	—	3,523	221	3,772
Recognised in income	**—**	**—**	**—**	**(42)**	**(42)**
Recognised in other comprehensive income	**—**	**—**	**964**	**—**	**964**
At 31 December 2016	**28**	**—**	**4,487**	**179**	**4,694**

Deferred tax assets relating to unused tax losses carried forward and deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences.

Unrecognised deferred tax assets relating to property revaluations amounted to £2,670,000 (2015: £2,254,000). These assets have not been recognised as it is probable that in future periods there will be no suitable profits or gains available to the Group against which they may be relieved. There are no other significant unrecognised deferred tax assets and liabilities.

As a result of the change in the UK corporation tax rate from 20% to 19% effective from 1 April 2017, substantively enacted on 26 October 2015, and from 19% to 17% effective from 1 April 2020, substantively enacted on 6 September 2016, deferred tax balances at the year end have been measured at 17% (2015: 20% and 18%) being the rate at which timing differences are expected to reverse.

18. Inventories

	2016 £'000	2015 £'000
Property developments in progress	**16,963**	24,249
House builder land and work in progress	**13,065**	7,873
Land held for development or sale	**70,087**	73,916
Options to purchase land	**10,664**	9,274
Planning promotion agreements	**27,136**	23,629
	137,915	138,941

Within developments in progress £294,000 (2015: £67,000) 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, options to purchase land and planning promotion agreements £2,923,000 (2015: £2,340,000) 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.

19. Construction contracts

	2016 £'000	2015 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in trade receivables	**17,638**	2,322
Amounts due to contract customers included in trade payables	**(4,656)**	(6,529)
	12,982	(4,207)
Contract costs incurred plus recognised profits less recognised losses to date	**490,693**	357,110
Less: progress billings	**(477,711)**	(361,317)
	12,982	(4,207)

At 31 December 2016, retentions held by customers for contract work amounted to £1,614,000 (2015: £1,947,000). Advances received from customers for contract work amounted to £4,656,000 (2015: £6,529,000).

20. Assets classified as held for sale

Assets classified as held for sale are investment properties, within the Property Investment and Development segment, which are individually being actively marketed for sale with expected completion dates within one year.

Assets classified as held for sale comprise the following:

	Investment property	
	2016 £'000	2015 £'000
Fair value		
At 1 January	**—**	260
Transfer from investment property	**775**	13,163
Transfer from property, plant and equipment	**275**	—
Disposals	**—**	(13,423)
At 31 December	**1,050**	—
Adjustment in respect of tenant incentives	**—**	—
Market value at 31 December	**1,050**	—

Assets classified as held for sale have been valued at 31 December 2016 at fair value by the Directors of the Company at £1,050,000 (2015: £nil).

21. Trade and other payables

	Group		Parent Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	**54,077**	58,804	**1,340**	1,690
Social security and other taxes	**3,263**	4,250	**333**	367
Accrued expenses	**1,368**	1,887	**773**	887
Deferred income	**7,010**	6,027	**—**	—
Amounts owed to related parties	**46**	55	**—**	—
Amounts owed to Group undertakings	**—**	—	**71,243**	79,656
	65,764	71,023	**73,689**	82,600
Due within one year	**61,149**	64,384	**73,689**	82,600
Due after more than one year	**4,615**	6,639	**—**	—
	65,764	71,023	**73,689**	82,600

The Directors consider that the carrying amount of trade payables approximates to their fair value.

22. Government grants

Government grants have been received in relation to the infrastructure of one of the Group's Land Promotions and three 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 £18,000 (2015: £ 917,000).

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.

23. 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 2016 this was £32.9m (2015: £38.9m). Equity comprises all components of equity and at 31 December 2016 this was £233.5m (2015: £221.5m).

During 2016 the Group's strategy, which was unchanged from previous years, was to maintain the debt to equity ratio below 50%. This level was chosen to ensure that we can access debt relatively easily and inexpensively if required.

In February 2015, the Group concluded negotiations with its three banking partners to put in place a £60m facility to replace the £50m facility we had in place at 31 December 2014. The renewed facilities commenced on 17 February 2015, with a renewal date of 17 February 2018 and an option to extend the facility by one year, each year, for the next two years occurring on the anniversary of the facility. On 17 February 2017 we exercised our option to extend the facilities by one year to 17 February 2020. The renewed facilities, on improved terms, maintain covenants on the same basis as the previous facilities.

The Group's secured bank facilities are subject to covenants over loan to market value of investment properties, interest cover, gearings and minimum consolidated tangible assets value.

The Group has other bank debt on which there are also covenant requirements. The Group operated comfortably within all of its requirements throughout the year.

24. Borrowings

	Group		Parent Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Bank overdrafts	**—**	2	**1,008**	478
Bank loans	**32,684**	42,389	**30,000**	40,000
Government loans	**7,580**	8,582	**—**	—
	40,264	50,973	**31,008**	40,478
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	**33,648**	43,327	**31,008**	40,760
In the second year	**4,323**	2,871	**—**	—
In the third to fifth years inclusive	**2,967**	5,697	**—**	—
After five years	**—**	—	**—**	—
	40,938	51,895	**31,008**	40,760
Due within one year	**33,648**	43,327	**31,008**	40,760
Due after one year	**7,290**	8,568	**—**	—
	40,938	51,895	**31,008**	40,760

The weighted average interest rates paid were as follows:

	2016	2015
	%	%
Bank overdrafts	**2.42**	2.52
Bank loans – floating rate	**2.12**	2.25
Bank loans – floating rate (relating to Road Link (A69) Limited)	**—**	1.51
Bank loans – floating rate (relating to Stonebridge Offices Limited)	**2.97**	3.08
Bank loans – floating rate (relating to Stonebridge Projects Limited)	**2.38**	—
Government loans	**2.37**	2.65

Bank overdrafts are repayable on demand.

Borrowings are recognised at fair value, where the fair values are based on cash flows discounted using variable market rates.

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, Stonebridge Offices Limited and Stonebridge Projects Limited.

Full and final settlement of the Road Link (A69) Limited bank loan was made on 31 March 2015.

The Stonebridge Offices Limited bank loan is secured by a specific charge over the freehold property of that company and is without recourse to the rest of the Group. The loan was renewed on 29 October 2014 and is repayable in quarterly instalments of £31,250 that commenced on 11 December 2014, with full and final settlement becoming due on 11 December 2018.

The Stonebridge Projects Limited revolving loan facility is secured by a specific charge over the freehold property of that company and is guaranteed by Henry Boot PLC. The loan can be drawn against on a monthly basis and was first drawn against on 22 April 2016. The loan is repayable from the proceeds of residential house sales with full and final settlement becoming due on 22 April 2019.

Government loans from the South West of England Regional Development Agency (SWE) and Sedgemoor District Council (SDC) were issued at a borrowing rate of nil%; their fair values are £2,381,000 (2015: £2,626,000) and £319,000 (2015: £319,000) respectively.

24. Borrowings continued

Government loans from the Homes and Communities Agency (HCA) were issued with a fixed level of interest of £398,000 (2015: £407,000); their fair values are £3,760,000 (2015: £4,163,000) (Education Campus) and £1,120,000 (2015: £1,474,000) (Phase II Road Infrastructure).

As a result, the Company has no exposure to interest rate changes in relation to these borrowings. The Company's exposure to indexation risk may result in an increase in the value of repayments, causing the loans to be settled at an earlier date.

The Government loans were received to fund specific residential construction expenditure.

Repayment of the SWE loan commenced during 2013, being three years after the quarter date of the construction completion of the first residential unit. Repayments of £300,000 (2015: £150,000) were made during the year. The repayments are calculated at £8,000 per residential unit, are linked to the Land Registry House Price Index and are subject to certain minimum repayment amounts.

Repayment of the SDC loan is to be made in full upon the occupation of the 550th dwelling.

Repayment of the Education Campus HCA loan commenced during the year upon the occupation of the first dwelling and follows for each occupation thereafter until the total contribution sum is repaid in full. Repayments of £446,056 (2015: £nil) were made during the year. The repayments are calculated at £8,587 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). The base figure of £8,587 is reviewed following the occupation of the first 300 dwellings and every 300 dwellings thereafter in addition to every second anniversary of the loan agreement date and any date after 2022 following notice served from the HCA. If the HCA is not satisfied that the base rate will guarantee repayment of the total contribution sum before the completion of the last residential unit, it has the right to increase the base figure accordingly. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

Repayment of the Phase II Road Infrastructure HCA loan commenced during 2015 upon the occupation of the 1,151st dwelling. Repayments of £354,808 (2015: £325,530) were made during the year. The repayments are calculated at £3,675 per residential unit, based on 1,750 units, and are increased in relation to the Land Registry House Price Index (Devon). If the relevant number of dwellings is not met by 31 December of each year until 2019, advance payments will be required. If the number of residential units with detailed planning permission or reserved matters increases, the base figure is revised to reflect the increased number of plots.

Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Based on approximate average borrowings during 2016, a 1.0% (2015: 1.0%) change in interest rates, which the Directors consider to be a reasonable possible change, would affect profitability before tax by £406,000 (2015: £504,000).

The fair value of the Group's borrowings is not considered to be materially different from the carrying amounts.

At 31 December 2016, the Group had available £32,500,000 (2015: £35,129,000) undrawn committed borrowing facilities.

25. Provisions

	Land promotion £'000	Road maintenance £'000	Total £'000
At 1 January 2016			
Included in current liabilities	4,606	1,143	5,749
Included in non-current liabilities	3,595	—	3,595
	8,201	1,143	9,344
Additional provisions in year	**831**	**870**	**1,701**
Unwinding of discount	**2**	**—**	**2**
Utilisation of provisions	**(1,250)**	**(677)**	**(1,927)**
At 31 December 2016	**7,784**	**1,336**	**9,120**
Included in current liabilities	**5,333**	**1,336**	**6,669**
Included in non-current liabilities	**2,451**	**—**	**2,451**
	7,784	**1,336**	**9,120**

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 reasonable possible change, land promotion provisions would change and affect profitability before tax by £93,000 and £379,000 respectively (2015: £111,000 and £390,000).

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 reasonable possible change, the road maintenance provision would change and affect profitability before tax by £129,000 (2015: £146,000).

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.

Off balance sheet arrangements

The Group is currently undertaking the infrastructure of land promotions at Bridgwater and Cranbrook, spanning 122 and 53 acres respectively (2015: 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 2020 and 2025 respectively, with cost being incurred throughout these periods.

The Group has historically disposed of 94 and 24 acres respectively (2015: 86 and 23), and has subsequently recognised provisions to the value of £7,783,000 (2015: £8,201,000), 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 £5,885,000 (2015: £7,071,000), has therefore not been recognised in these Financial Statements.

26. 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 4% (2015: 3%) of salary is paid by the employee, on a pound for pound basis up to a maximum of 8%.

The total cost charged to income of £1,220,000 (2015: £919,000) 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 continue to accrue benefits, but the scheme is closed to new entrants. Members accrue an annual pension of either 1/45th or 1/60th of final pensionable salary for each year of pensionable service. Increases in pensionable salary are 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.

Active members of the scheme pay contributions at the rate of either 5% or 7% of pensionable salary and the Group employers pay 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 2015. The results of that valuation have been projected to 31 December 2016 by a qualified independent actuary. 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:

	2016 %	2015 %
Retail Prices Index 'Jevons' (RPIJ)	**n/a**	2.30
Retail Prices Index (RPI)	**3.00**	3.00
Consumer Prices Index (CPI)	**2.00**	2.00
Pensionable salary increases	**1.00**	1.00
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.00**	2.30
Revaluation of deferred pensions	**2.00**	2.00
Liabilities discount rate	**2.80**	3.80

26. Retirement benefit obligations continued

Mortality assumptions	2016 Years	2015 Years
Retiring today (aged 65)		
Male	**22.1**	21.9
Female	**24.2**	24.2
Retiring in 20 years (currently aged 45)		
Male	**23.4**	23.2
Female	**25.7**	25.8

The mortality assumptions adopted are the Self Administered Pension Schemes (SAPS) tables with allowance for future improvements in line with Continuous Mortality Investigation (CMI) 2015 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 3.4%	Decrease by 3.3%
Rate of general increases in salaries	0.25%	Nil*	Nil*
Liabilities discount rate	0.25%	Decrease by 4.0%	Increase by 4.0%
Rate of mortality	1 year	Increase by 3.7%	Decrease by 3.7%

* Increases in salaries above the 1% assumed would not affect the scheme liabilities as future increases in pensionable salaries are to be capped at a maximum of 1% per annum.

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of the scheme are as follows:

	2016 £'000	2015 £'000
Service cost:		
Current service cost	**1,112**	1,308
Ongoing scheme expenses	**493**	328
Settlement	**—**	(8)
Net interest expense	**691**	951
Pension Protection Fund	**168**	118
Pension expenses recognised in profit or loss	**2,464**	2,697
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(12,528)**	723
Actuarial losses/(gains) arising from changes in demographic assumptions	**1,590**	(1,338)
Actuarial losses/(gains) arising from changes in financial assumptions	**22,972**	(5,387)
Actuarial (gains) arising from experience adjustments	**(3,077)**	—
Actuarial losses/(gains) recognised in other comprehensive income	**8,959**	(6,002)
Total	**11,422**	(3,305)

26. Retirement benefit obligations continued

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of the scheme is as follows:

	2016 £'000	2015 £'000
Present value of scheme obligations	**190,974**	170,214
Fair value of scheme assets	**(164,578)**	(150,637)
	26,396	19,577

This amount is presented in the Statement of Financial Position as follows:

	2016 £'000	2015 £'000
Non-current liabilities	**26,396**	19,577

Movements in the present value of scheme obligations in the year were as follows:

	2016 £'000	2015 £'000
At 1 January	**170,214**	176,641
Current service cost	**1,112**	1,308
Interest on obligation	**6,336**	6,253
Contributions from scheme members	**2**	5
Actuarial losses/(gains)	**21,486**	(6,725)
Liabilities extinguished on settlements	**—**	(562)
Benefits paid	**(8,176)**	(6,706)
At 31 December	**190,974**	170,214

Movements in the fair value of scheme assets in the year were as follows:

	2016 £'000	2015 £'000
At 1 January	**150,637**	148,483
Interest income	**5,645**	5,302
Actuarial gains/(losses) on scheme assets	**12,528**	(723)
Employer contributions	**4,435**	5,158
Contributions from scheme members	**2**	5
Assets distributed on settlements	**—**	(554)
Benefits paid	**(8,176)**	(6,706)
Ongoing scheme expenses	**(493)**	(328)
At 31 December	**164,578**	150,637

26. Retirement benefit obligations continued

The categories of plan assets are as follows:

	2016 £'000	2015 £'000
Quoted investments, including pooled diversified growth funds:		
Equity	**40,207**	47,407
Synthetic equity	**11,093**	11,997
Diversified growth funds	**38,559**	44,768
Corporate bonds	**20,127**	19,110
Diversified credit funds	**26,487**	10,071
Cash and net current assets	**5,238**	7,706
Unquoted investments:		
Direct lending	**10,835**	9,578
Collateralised loan obligations	**12,032**	—
At 31 December	**164,578**	150,637

Included in equities are 670,000 (2015: 1,295,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £1,350,050 (2015: £2,900,800).

The weighted average duration of the defined benefit obligation is 16.6 years (2015: 15.9 years).

The current estimated amount of total contributions expected to be paid to the scheme during the 2017 financial year is £3,565,000, being £3,563,000 payable by the Group and £2,000 payable by scheme members.

The Company's level of recovery plan funding to the scheme is £2,500,000 per annum, which will be reviewed at the next triennial valuation. In addition to this, the Company contributes a further £260,000 per annum towards the administration expenses of the scheme.

27. Operating leases

The Group as lessee

	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised in the Consolidated Statement of Comprehensive Income for the year	**295**	276

At 31 December 2016, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 £'000	2015 £'000
Within one year	**299**	255
In the second to fifth years inclusive	**879**	586
After five years	**578**	440
	1,756	1,281

Operating lease payments represent rentals payable by the Group for certain of its office properties. The rents payable are subject to renegotiation at various intervals specified in the leases.

27. Operating leases continued

The Group as lessor

The Group has entered into commercial 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:

	2016 £'000	2015 £'000
Within one year	**7,458**	6,507
In the second to fifth years inclusive	**27,814**	26,170
After five years	**73,314**	67,558
	108,587	100,235

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	2016 £'000	2015 £'000
Management charges receivable	**1,140**	1,140
Interest receivable	**7,481**	8,049
Interest payable	**(2,215)**	(2,333)
Rents payable	**(154)**	(180)
Recharge of expenses	**116**	127

Transactions between the Company and its remaining related parties are as follows:

Purchases of goods and services	2016 £'000	2015 £'000
Close family members of key management personnel (amounts paid for IT services)	**44**	38
Related companies of key management personnel (amounts paid for Non-executive Director services)	**42**	41

Amounts owing by related parties (note 16) or to related parties (notes 21 and 24) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The key management personnel of the Group are the Board of Directors and members of the Senior Management team of wholly owned subsidiaries, as presented on page 50 to 52. They are responsible for making all of the strategic decisions of the Group and its subsidiaries, as detailed on page 4 and 16. The remuneration of the Board of Directors is set out in the Remuneration Report on pages 66 to 74. The remuneration of the relevant four (2015: four) members of the Senior Management team is set out below, in aggregate, for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2016 £'000	2015 £'000
Short-term employee benefits	**1,228**	1,127
Post-employment benefits	**32**	54
Share-based payments	**—**	—
	1,260	1,181

29. Share capital

	Allotted, issued and fully paid	
	2016 £'000	2015 £'000
400,000 5.25% cumulative preference shares of £1 each (2015: 400,000)	400	400
132,080,138 ordinary shares of 10p each (2015: 132,041,358)	13,208	13,204
	13,608	13,604

The Company has one class of ordinary share which carries no rights to fixed income but which entitles the holder thereof to receive notice and attend and vote at general meetings or appoint a proxy to attend on their behalf.

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 23 October 2014 at a price of 172.0p at a discount of just over 9.5%. These become exercisable for a six month period from 1 December 2017. 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.

	Options outstanding at 31 December 2015	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2016
October 2014 grant	1,067,703	–	(78,738)	(38,780)	950,185

The weighted average share price at the date of exercise for share options exercised during the year was 196.82p (2015: 213.00p).

(ii) The Henry Boot 2006 Long Term Incentive Plan

This plan was approved by shareholders at an EGM held on 20 July 2006. Details of the Plan and the vesting requirements are set out in the Directors' Remuneration Policy which is available to view on the website: www.henryboot.co.uk/about-us/governance.

(iii) 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) and (iii) above, the aggregate total of movements in share options granted and awards of shares is as follows:

	2016 Number	2015 Number
Share options granted at 1 January	903,060	1,293,278
Lapses of share options in year	(205,389)	(555,426)
Awards of shares in year	(113,714)	(103,641)
Share options granted in year	297,524	268,849
Share options granted at 31 December	881,481	903,060

The weighted average share price at the date of exercise for share options exercised during the year was 197.50p (2015: 234.00p).

29. Share capital continued

(iv) 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. There were no performance conditions imposed on either of these grants.

	Options outstanding at 31 December 2015	Options granted	Options lapsed	Options exercised	**Options outstanding at 31 December 2016**
May 2011 grant	42,000	**—**	**—**	**—**	**42,000**
October 2014 grant	155,000	**—**	**(10,000)**	**—**	**145,000**

The weighted average share price at the date of exercise for share options exercised during the year was nil (2015: 225.88p).

Fair value

Fair value is measured by a Monte Carlo pricing model using the following assumptions:

	LTIP	CSOP 2011 grant	CSOP 2015 grant	Sharesave 2015
Weighted average exercise price	Nil	121.5p	191.0p	172.0p
Weighted average share price	217.4p	121.5p	191.0p	181.0p
Expected volatility	30.72% to 32.10%	41.47%	31.17%	31.45%
Expected life	3 years	3 years	3 years	3 years
Risk-free rate	0.57% to 1.26%	1.67%	1.23%	0.82%
Expected dividend yield	2.71% to 3.16%	5.02%	3.16%	3.16%

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 97.69p (2015: 106.75p).

Expense recognised in the Consolidated Statement of Comprehensive Income

	2016 £'000	2015 £'000
The total expense recognised in the Consolidated Statement of Comprehensive Income arising from share-based payment transactions	**510**	492

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: Hedging £'000	Other: Total other £'000
At 1 January 2015	3,355	177,664	271	3,951	209	(6)	4,425
Profit for the year	—	23,041	—	—	—	—	—
Dividends paid	—	(7,664)	—	—	—	—	—
Premium arising from shares issued	—	—	—	117	—	—	117
Movements in fair value of cash flow hedge	—	—	—	—	—	9	9
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	(3)	(3)
Increase in fair value in year	100	—	—	—	—	—	—
Deferred tax on revaluation surplus	509	—	—	—	—	—	—
Arising on employee share schemes	—	291	—	—	—	—	—
Unrecognised actuarial gain	—	6,002	—	—	—	—	—
Deferred tax on actuarial gain	—	(1,439)	—	—	—	—	—
At 31 December 2015	3,964	197,895	271	4,068	209	—	4,548
Profit for the year	**—**	**28,259**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**(8,318)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**—**	**63**	**—**	**—**	**63**
Increase in fair value in year	**30**	**—**	**—**	**—**	**—**	**—**	**—**
Deferred tax on revaluation surplus	**3**	**—**	**—**	**—**	**—**	**—**	**—**
Realised revaluation surplus	**(118)**	**118**	**—**	**—**	**—**	**—**	**—**
Arising on employee share schemes	**—**	**277**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**—**	**(8,959)**	**—**	**—**	**—**	**—**	**—**
Current tax on actuarial loss	**—**	**428**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**—**	**964**	**—**	**—**	**—**	**—**	**—**
At 31 December 2016	**3,879**	**210,664**	**271**	**4,131**	**209**	**—**	**4,611**

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Investment revaluation £'000	Other: Total other £'000
At 1 January 2015	45,256	271	3,951	211	1,135	5,568
Profit for the year	7,357	—	—	—	—	—
Dividends paid	(7,664)	—	—	—	—	—
Premium arising from shares issued	—	—	117	—	—	117
Unrecognised actuarial gain	6,002	—	—	—	—	—
Deferred tax on actuarial gain	(1,439)	—	—	—	—	—
Arising on employee share schemes	96	—	—	—	—	—
At 31 December 2015	49,608	271	4,068	211	1,135	5,685
Profit for the year	**21,038**	**—**	**—**	**—**	**—**	**—**
Dividends paid	**(8,318)**	**—**	**—**	**—**	**—**	**—**
Premium arising from shares issued	**—**	**—**	**63**	**—**	**—**	**63**
Arising on employee share schemes	**74**	**—**	**—**	**—**	**—**	**—**
Unrecognised actuarial loss	**(8,959)**	**—**	**—**	**—**	**—**	**—**
Current tax on actuarial loss	**428**	**—**	**—**	**—**	**—**	**—**
Deferred tax on actuarial loss	**964**	**—**	**—**	**—**	**—**	**—**
At 31 December 2016	**54,835**	**271**	**4,131**	**211**	**1,135**	**5,748**

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.

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.

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.

Hedging reserve

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of the hedging instrument entered by the Group for the purposes of cash flow hedging. The hedge is 100% effective, and as such, cumulative gains or losses arising on changes in the fair value of the hedging instrument that are recognised and accumulated in the hedging reserve will not subsequently be reclassified to profit or loss.

Investment revaluation reserve

The investment revaluation reserve represents enhancements to the original cost of shares in subsidiary companies where the Directors have considered it appropriate to reflect in the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements were £1,135,000 in 1989 and are not distributable.

31. Cost of shares held by the ESOP trust

Group	2016 £'000	2015 £'000
At 1 January	345	550
Additions	959	—
Disposals	(233)	(205)
At 31 December	1,071	345

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 2016, the Trustee held 523,606 shares (2015: 177,320 shares) with a cost of £1,071,330 (2015: £344,787) and a market value of £1,055,066 (2015: £397,197). All of these shares were committed to satisfy existing grants by the Company under the Henry Boot PLC 2006 Long Term Incentive Plan, the Henry Boot PLC 2015 Long Term Incentive Plan, the Henry Boot PLC 2010 Sharesave Scheme and the Henry Boot PLC 2010 Company Share Option 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	
		2016	2015	**2016**	2015
		£'000	£'000	**£'000**	£'000
Profit before tax		**39,491**	32,410	**22,191**	7,539
Adjustments for:					
Amortisation of PFI asset	11	**1,251**	1,193	**—**	—
Goodwill impairment	11	**203**	203	**—**	—
Depreciation of property, plant and equipment	12	**4,022**	3,637	**92**	76
Impairment gain on land and buildings	12	**—**	(10)	**—**	—
Revaluation decrease in investment properties	13	**1,783**	2,009	**—**	—
Amortisation of capitalised letting fees	3	**36**	52	**—**	—
Share-based payment expense	4	**510**	492	**307**	297
Pension scheme credit		**(2,140)**	(2,579)	**(2,140)**	(2,579)
Movements on provision against investments in subsidiaries	14	**—**	—	**(5,467)**	788
Movements on provision against loans to subsidiaries		**—**	—	**(1,858)**	1,688
Profit on disposal of assets held for sale	3	**—**	(485)	**—**	—
(Gain)/loss on disposal of property, plant and equipment	3	**(506)**	(296)	**10**	—
Gain on disposal of investment properties		**(647)**	(747)	**—**	—
Finance income	5	**(156)**	(1,438)	**(22,695)**	(18,208)
Finance costs	6	**1,670**	1,617	**3,145**	3,391
Share of profit of joint ventures and associates	15	**(1,523)**	(923)	**—**	—
Operating cash flows before movements in equipment held for hire		**43,994**	35,135	**(6,415)**	(7,008)
Purchase of equipment held for hire	12	**(4,048)**	(4,057)	**—**	—
Proceeds on disposal of equipment held for hire		**648**	334	**—**	—
Operating cash flows before movements in working capital		**40,594**	31,412	**(6,415)**	(7,008)
Decrease/(increase) in inventories		**1,478**	(13,706)	**—**	—
(Increase)/decrease in receivables		**(7,515)**	(9,381)	**14,242**	488
(Decrease)/increase in payables		**(6,012)**	(3,117)	**(9,716)**	199
Cash generated from/(used by) operations		**28,545**	5,208	**(1,889)**	(6,321)

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.

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. Guarantees relating to bonds are impracticable to quantify.
In the opinion of the Directors, no loss is expected to arise in connection with these matters.

34. Additional information – subsidiaries, joint ventures and associates

Details of the Company's subsidiaries, joint ventures and associates, all of which are incorporated in England and are consolidated in the Group Financial Statements at 31 December 2016, are as follows:

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Banner Plant Limited	100%	Direct	Plant hire
Buffergone Limited	100%	Direct	Construction
Capitol Park Property Services Limited	5%	Indirect	Property development
Chocolate Works York Management Company Limited	100%	Indirect	Management company
Comstock (Kilmarnock) Limited	100%	Indirect	Land promotion
First National Housing Trust Limited	100%	Direct	Property investment
Fox Valley Management Company Limited	100%	Indirect	Management company

34. Additional information – subsidiaries, joint ventures and associates continued

Subsidiary name	Proportion of ownership	Direct or indirect	Activity
Hallam Land Management Limited	100%	Direct	Land promotion
Henry Boot Biddenham Limited	100%	Direct	Land promotion
Henry Boot Contracting Limited	100%	Direct	Inactive
Henry Boot Construction Limited	100%	Direct	Construction
Henry Boot Developments Limited	100%	Direct	Property investment and development
Henry Boot Investments 1 Limited	100%	Indirect	Property development
Henry Boot Estates Limited	100%	Direct	Property investment
Henry Boot Inner City Limited	100%	Direct	Inactive
Henry Boot ‘K’ Limited	100%	Indirect	Property investment and development
Henry Boot (Launceston) Limited	100%	Direct	Land promotion
Henry Boot Land Holdings Limited	100%	Direct	Land promotion
Henry Boot Leasing Limited	100%	Direct	Motor vehicle leasing to Group companies
Henry Boot Nottingham Limited	100%	Indirect	Inactive
Henry Boot (Manchester) Limited	100%	Direct	Property development
Henry Boot Projects Limited	100%	Direct	Property investment and development
Henry Boot Swindon Limited	100%	Direct	Land promotion
Henry Boot Tamworth Limited	100%	Indirect	Property investment and development
Henry Boot Wentworth Limited	100%	Direct	Property development
Henry Boot Whittington Limited	100%	Direct	Property investment
Investments (North West) Limited	100%	Indirect	Property development
Marboot Centregate Ltd	100%	Indirect	Property investment
Marboot Centregate 2 Limited	100%	Indirect	Inactive
Moore Street Securities Limited	100%	Direct	Employee benefit trust
Plot 7 East Markham Vale Management Company Limited	100%	Indirect	Management company
Road Link (A69) Holdings Limited	61.2%	Indirect	Holding company
Road Link (A69) Limited	100%	Indirect	PFI road maintenance
Road Link Limited	100%	Indirect	Inactive
Saltwoodend Limited	100%	Indirect	Inactive
Stonebridge Projects Limited	50%	Indirect	Property development
Stonebridge Offices Limited	100%	Indirect	Property investment and development
The Residence (York) Management Company Limited	100%	Indirect	Management company
Victoria Gardens (Headingley) Management Company Limited	100%	Indirect	Management company
Waterloo Court Management Company Limited	17%	Indirect	Management company
Winter Ground Limited	100%	Indirect	Property investment and development

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
Capital & Centric (Salford Quays) Limited	5%	Indirect	Property development
Henry Boot Barnfield Limited	50%	Indirect	Property development
I-Prop Developments Limited	50%	Indirect	Property development
Kampus Holdings Sarl	5%	Indirect	Property investment and development
Kirklees Henry Boot Partnership Limited	50%	Indirect	Inactive
Markey Colston Limited	27.33%	Indirect	Property development
Pennine Property Partnership LLP	50%	Indirect	Property investment and development