

WELCOME TO THE CHAIRMAN'S STATEMENT

I am pleased to report an overall strong performance during 2016, my first full year as your Chairman.

"Each of our three business segments performed well, notwithstanding the macroeconomic concerns after the EU referendum result. As always, the annual financial results and the delivery of shareholder value over the longer term is down to the talent, commitment and hard work of all our people."

Jamie Boot
Chairman



I am delighted to report a 22% increase in profit before tax to £39.5m for the year ended 31 December 2016. Each of our three business segments performed well, notwithstanding the macroeconomic concerns after the EU referendum result, and we have built a strong pipeline of schemes to be delivered over 2017-2019. Retained earnings, offset in part by a slightly higher pension scheme deficit, resulted in the net asset value per share rising to 177p from 168p with total capital employed of £233.6m.

Hallam Land Management, our land promotion business, continues to operate in relatively stable market conditions. The major UK house builders report that they are replenishing land banks in line with sales and the UK planning process was largely unchanged over 2016. We continue to have a good supply of permissioned land for the house builders to draw on.

As noted in our 2015 Annual Report, 2016 saw the start of several larger commercial developments for Henry Boot. Delivery of major schemes at Aberdeen, Markham Vale and York has progressed well in the year and, in addition, we continue to work on a number of smaller schemes. As many of these projects are pre-sold, much of this activity is reflected in 2016 turnover which increased 74% to £306.8m. This increase in activity also included 89 residential completions at York and 70 completions through our jointly owned house builder, Stonebridge Projects.

The Construction segment once again performed solidly, being underpinned by the stable PFI income stream. Plant Hire traded consistently well over the year and although we saw slightly lower activity from the Construction business, secured contracts for 2017 will see activity move forward once again.

Dividend

I am very pleased to report that the Board, taking account of the strong result this year and the positive outlook, is recommending an increased final dividend of 4.50p per share, giving a total for the year of 7.00p (2015: 6.10p), an increase of 15% over 2015, and covered over three times by earnings.

Payment of the final dividend is subject to shareholder approval at the Annual General Meeting and will be paid on 30 May 2017 to shareholders on the register as at 28 April 2017.

Our team

As highlighted in my previous report, 2016 saw the appointment of myself as Chairman, three new Non-executive Directors and promotions within our Executive team. This new senior team has worked productively together over

the course of the year. As always, the annual financial results and the delivery of shareholder value over the longer term is down to the talent, commitment and hard work of all our people. We aim to empower and develop all our teams of talented people to identify profitable schemes and, on behalf of the Board and shareholders, we thank them and look forward to reporting on their further successes in 2017 and beyond.

Outlook

Our key strategic aim is to deliver value to shareholders over the longer term. We are, therefore, continually looking to acquire new opportunities which create profit well into the future. 2016 saw us increase both the scale of our strategic land business and the value of commercial developments to be delivered over time.

2017 has started in line with our expectations and the year ahead will see us actively work on over ten commercial development schemes, some of which will take us through to 2019 and 2020. Our strategic land business has a record volume of sites and these sites are further forward in planning terms than ever before. Including sites with planning permission already granted, those in the planning process and sites where we anticipate making an application within the current year, we now have over 30,000 plots in the pipeline. We continue to focus on the profitable delivery of all these opportunities and remain confident in our ability to achieve this on behalf of our shareholders.

Jamie Boot
 Chairman
 21 April 2017

Recommended final dividend

4.50p

Turnover increased to over

£300m

 Read the **Financial Review** on pages 30 to 33

 Read about the **Board of Directors** on pages 50 and 51

Pictured 'The Residence', part of the former Terry's chocolate factory at York, saw 89 residential apartment completions during 2016.

