HENRY BOOT PLC

UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

Henry Boot PLC ('Henry Boot', 'the Company' or 'the Group') (Ticker: BHY: Main market premium listing: FTSE: construction & materials), a company engaged in land promotion, property investment and development, construction and plant hire, announces its preliminary results for the year ended 31 December 2013.

2013 KEY FINANCIAL HIGHLIGHTS

- Profit before tax increased 37% to £18.4m (2012 restated: £13.4m)
- Property revaluation deficit of £1.6m (2012: surplus £1.4m)
- Investment property disposal profits of £0.3m (2012: £1.0m)
- Trading profits* increased 72% to £20.3m (2012: £11.8m)
- Earnings per share increased 23% to 8.6p (2012: 7.0p)
- Proposed final dividend of 3.15p (2012: 2.90p), giving a total for the year of 5.10p (2012: 4.70p), an 8.5% increase
- Total shareholder return of 52% in 2013 and 140% over the last three years
- Net asset value per share of 148p (2012: 139p)
- Investment in strategic land inventories of £9.1m saw a planned net debt rise to £36.1m (2012: £21.9m) and gearing to 19% (2012: 12%)
- Strategic land acreage now 9,723 acres (2012: 9,011 acres)

*Trading profits comprise operating profit of £19.0m (2012: £14.2m), adjusted for the decrease in fair value of investment property of £1.6m (2012: increase £1.4m) and profit on sale of investment properties of £0.3m (2012: £1.0m).

2012 comparatives have been restated for the adoption of IAS 19 (amended 2011).

Commenting on the results, Chairman John Brown said:

"Henry Boot has performed very well in 2013 and I am really pleased to report on another year of strong progress across the businesses within the Group.

"Our business model looks to parts of our business to generate relatively stable, recurring income flows (property investment and construction segment) and parts (land promotion and property development) that are cyclical, deal driven businesses which potentially offer increased returns for higher risk. We have invested more heavily in these higher risk businesses over the last three years with the result that, as we move into 2014, we have an unprecedented number of profitable land and property development sites to work on.

"The new financial year has started well and house builders reporting so far in 2014 are painting an encouraging picture of increasing activity, good land availability and slowly rising prices. Add to that a stronger market for new property development and improving construction and plant activity levels and, provided that these trends continue, we remain confident that we can perform well in 2014 and beyond."

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CHAIRMAN'S STATEMENT

Henry Boot has performed very well in 2013 and I am really pleased to report on another year of strong progress across the businesses within the Group.

Operating profit increased 34% to £19.0m (2012 restated: £14.2m) and I am very pleased to report an increase in profit before tax of 37% to £18.4m (2012 restated: £13.4m). EPS increased 23% to 8.6p (2012 restated: 7.0p).

At Henry Boot we take a long-term view of opportunities in the strategic land, property development and construction sectors and, therefore, our core strategic aims are very much the same as those last year. Our business model looks to parts of our business to generate relatively stable, recurring income flows (property investment and construction segment) and parts (land promotion and property development) that are cyclical, deal driven businesses which potentially offer increased returns for higher risk. We have invested more heavily in these higher risk businesses over the last three years with the result that, as we move into 2014, we have an unprecedented number of profitable land and property development sites to work on. Examples of these investment linkages to our long-term strategy are the speculative commitment to the 27 acre ex-Terry's Chocolate Factory site in York; the Hallam Land schemes at Blaby, where we are working in consortium to bring forward a major 4,500 unit residential scheme; and Cranbrook, Exeter, where we are delivering in consortium, the only "new town" to actually be built which will grow to 3,500 house units over the next ten years.

Our strategic capital allocation decision-making process must be flexible enough to maximise returns through economic cycles. The process recognises that downside protection is important as is maintaining prudent levels of borrowing and therefore the security of our long-term asset base, whilst, if possible, providing a growing income return. We are very mindful of our Company's long heritage and firmly believe that the strategy outlined above will nurture growing long-term shareholder value without taking unrewarded risk.

At 31 December 2013 total net assets had increased to £193.5m (2012: £181.9m) helped by a reduction in the IAS 19 pension deficit of £10.5m. As we continue to invest in our asset portfolios, debt as planned increased to £36.1m (2012: £21.9m), though we now have our largest ever number of sites with planning permission to market in 2014. NAV per share increased 6% to 148p (2012: 139p).

Subject to shareholder approval, the Board recommends an increased final dividend of 3.15p (2012: 2.90p), giving a total for the year of 5.10p (2012: 4.70p), an 8.5% increase. The 2013 yearly dividend is a record payment for the Group and we remain committed to growing dividends as results, market conditions and retained earnings allow.

I recognise that the financial results presented here are achieved by the skill, hard work and determination of the teams who work so diligently towards success in each of our businesses. On behalf of the Board I thank all staff for 2013's achievements and look forward confidently to further success in the future.

Henry Boot's recovery from the recessionary period of 2008–2011 began in the second half of 2012 and continued more strongly through 2013. As we begin 2014 we have more sites with planning permission, to market into a strongly recovering housing market, than ever before. We have more profitable development schemes to begin than at any stage over the last five years, including encouraging levels of activity in our nascent house building venture. Our construction division has a good order base for 2014 and into 2015 and, after its best year since 2005, we are confident that our plant hire business will have another good year in 2014.

In terms of risks to the continued recovery, I believe these remain the same as highlighted last year: debt availability and funder appetite to lend into the property sector, cutbacks in centrally funded capital expenditure and planning policy upheavals. To these I would add the probable rise in debt funding costs over the next two to three years as recovery takes hold and, it is assumed, the latest Bank of England targets, which would trigger a rise in interest rates, are met.

Over the last year, we continued to invest in opportunities at an early stage in the recovery, adding further to the investments already made in the last five years. Shareholders and markets have strongly supported this strategy, delivering a total shareholder return of 140% over the last three years. The potential returns from the opportunities acquired far outweigh the risks noted above and I confidently look forward to reporting growing shareholder returns in future years. The new financial year has started well and house builders reporting so far in 2014 are painting an encouraging picture of increasing activity, good land availability and slowly rising prices. Add to that a stronger market for new property development and improving construction and plant activity levels and, provided that these trends continue, we remain confident that we can perform well in 2014 and beyond.

John Brown
Chairman
27 March 2014

BUSINESS PERFORMANCE REVIEW

As indicated in last year's Operational Review, activity levels improved through 2013 and continue to look encouraging for 2014 and beyond. Our key strategy remains – the creation of long-term shareholder value. The 'long-term' is crucial to evaluating our process of value creation which, in essence, is about improving the worth of speculatively acquired assets by changing the asset's planning position or development use. Interaction with the UK planning process is a slow, expensive, uncertain and very inconsistent process. Therefore, navigating a successful business through these processes needs skill, dedication and long-term financial support. 2013 saw us continue to invest in the strategic land bank, with an unprecedented level of planning success, and in property development activities, which saw us successfully complete the schemes in progress and bring forward others to commence in 2014. Our small house building operation completed 26 sales in the year and is operating from five sites moving into 2014. We expect to increase sales towards 40 units in 2014 and are in detailed negotiations to acquire sites for up to 250 units in total.

Our construction and plant businesses performed very solidly in 2013, particularly plant where utilisation rates rose as activity, in the construction sector generally, recovered. Construction activity was stable and, although pricing remains extremely competitive, our continual focus on quality, safety and efficiency in construction means we are happy with our contract success rates. We have a strong order book going into 2014, ahead of this time last year, and remain confident of a decent year to come. Road Link (A69) continues to perform in line with expectations and underpins the profits and cash flows of the construction segment. We have twelve years left on this franchise and, whilst we expect to incur slightly higher road lighting costs in 2014 under our planned maintenance programme, we are confident that the franchise will continue to perform well.

The market conditions in which we are now operating are firmly on an improving trend. House builders are beginning to perform strongly and mortgage availability is improving. There is a good supply of land with planning permission and the house builders have replenished their land banks. The demand for good quality sites is still strong but house builders are becoming more selective when acquiring new sites. There are further signs of improvement in the property development market with location, as ever, still crucially important to achieving high values. 2014 will see development schemes commence in Malvern, Richmond upon Thames, Stoke-on-Trent, Nottingham and, later in the year, a large retail scheme at Daventry.

December 2013 saw the completion of several transactions we had expected to conclude in early 2014, which moved our financial performance ahead of forecast for the year. In a flat market, this may have resulted in a knock-on impact on the 2014 results; however, our long-term investment programme and improving market conditions mean we should be able to recover this timing difference during 2014. Therefore, we are optimistic that 2014 can be a further year of progress for all sections of our business.

PROPERTY INVESTMENT AND DEVELOPMENT

PROPERTY

2013 saw a general improvement in property markets, although the recovery in values and occupier demand were unevenly spread across sectors and regions, with a lack of transactional evidence supporting significant uplifts in property valuations. Occupier confidence, whilst improving during the year, was slow to translate into contracted transactions until the second half of the year when things started to improve. We have continued to build on the previous year's progress letting most of the remaining vacant space within the investment portfolio and, at 31 December 2013, we had no large voids and rental income receivable increased over the year.

We completed the second phase lorry park extension at our multi-let motorway service area in Kent, which immediately traded at capacity and helped the scheme achieve a significant year on year increase in footfall which, aided by further active asset management, increased the number of tenants trading and rental income. At the very end of the year we took back 11,000 sq ft of office space within our mixed-use town centre retail and office scheme in Bromley, and relocated that tenant to 25,000 sq ft of office space within the town which we purchased specifically for that purpose. The resulting investment was immediately sold generating a rapid and very satisfactory return. We also expect to see the return of 24,000 sq ft of office space currently let to Tenon PLC (in administration) at some stage in 2014. However, given the quality of the space, which is in Nottingham city centre, we hope to re-let the space in the near future.

We saw marginal improvements in some property investment values during the year but these were offset by the valuation impact of the tenancy changes noted above, resulting in an overall external valuation of the investment portfolio, undertaken by Jones Lang LaSalle, of £95.1m at the year end. Of this £6.8m related to Group occupied properties. The investment portfolio continues to be relatively diverse with retail and office uses accounting for 67% and 17% respectively, and industrial and leisure uses accounting for 9% and 7% of rental income. There has been little change in the portfolio's composition over the year but 2014 is expected to see the sale of a number of investment properties in exchange for the completion and retention of a number of new developments which will increase the portfolio's exposure to the industrial and leisure sectors.

DEVELOPMENTS IN PROGRESS

Property development activity has again seen a year on year increase, despite a number of project delays due to planning issues or because prospective occupiers delayed contractual commitments until the second half of the year. The majority of the projects affected have now reached an unconditional stage and work has either already commenced on site or will do so in the next few weeks enabling scheme completions to be achieved late in 2014 or early 2015. At Markham Vale, the 200 acre business park developed in partnership with Derbyshire County Council, work commenced on three projects comprising over 50,000 sq ft of industrial and office space, a petrol filling station and a drive-thru Starbucks, all of which will be completed in 2014. Terms have now been agreed for a further 50,000 sq ft of industrial space at Markham and other food outlet uses which are also targeted for completion in 2014. The provisional route for the HS2 high speed rail link runs close to the site and approximately ten acres of serviced land has been temporarily safeguarded for the project. As a result, this land has been leased to contractors upgrading the adjoining M1 motorway for two years. In Stoke-on-Trent terms were agreed with an existing tenant to extend their factory warehouse and re-gear the lease. Detailed planning permission has been secured and work is expected to commence early in 2014 and be completed within the year.

The completion of our mixed-use leisure and office scheme on Deansgate, Manchester, was achieved in December 2013. Despite protracted delays to the construction programme, the scheme remained on budget, and handover to The Oddfellows Society, who had forward purchased the office space, occurred in December 2013. The balance of the scheme, comprising restaurant space, is now 60% let on long leases and these units are expected to start trading before the middle of 2014. Terms have been agreed for the letting of the remaining unit and we expect to conclude this final letting in 2014.

Planning permission has been secured for two budget hotels, one in Richmond upon Thames, for 76 rooms, and the other in Malvern, for 67 rooms, pre-let to Travelodge and Premier Inn respectively. Work on both is expected to commence in spring 2014 and will be completed by early 2015. Having secured a number of pre-let agreements and detailed planning permission for the redevelopment of our retail investment in Beeston, work has commenced and will be completed by the 2014 year end.

As previously reported work commenced on the conversion of a listed, former wire mill to create a 56,000 sq ft outpatients centre and clinical offices, pre-let to the Calderdale & Huddersfield NHS Foundation Trust. The development is part of an innovative joint venture with the Trust which aims to release development value from surplus property assets and deliver new accommodation for the Trust's use. The initial phase of work on the listed mill was successfully completed within the year and the final phase of fit-out works is expected to be completed early in 2015 when the facility will open to the public.

FUTURE DEVELOPMENT OPPORTUNITIES

Following the purchase of the 56 acre site on the edge of Skipton in 2012, a comprehensive pre-planning consultation exercise was undertaken during 2013, culminating in the submission of a planning application for the site by the year end seeking consent for a mixed scheme of employment, foodstore and ancillary uses. The consultation process indicated good support for the project from the local community due to its economic benefits and it is hoped that planning permission will be obtained by the middle of 2014. J Sainsbury plc is already under contract for the foodstore and contracts have also been exchanged for some of the new industrial space within the scheme.

We operate two joint developments with UK banks and both have seen significant progress during the year. At Thorne, where we are working with The Royal Bank of Scotland in the development of a 23 acre former vehicle storage site, the contract for a Tesco foodstore is now unconditional and work will shortly commence on the initial phase of enabling and infrastructure works to be completed in the second half of 2014. Terms have also been agreed with other occupiers on part of the remaining space on the scheme. On the edge of Chesterfield town centre we are promoting a six acre site working with Lloyds Bank where terms have been agreed for the sale of serviced plots; these sales are expected to conclude in 2014 following the grant of planning permission.

The Group undertook a particularly notable purchase in the first half of 2013, the former Terry's Chocolate Factory in York. The purchase was immediately followed by a sale to house builder Barratt Developments PLC which acquired approximately half the site which had the benefit of a residential planning consent. The balance of the property comprising 230,000 sq ft of listed factory buildings, 4.5 acres of cleared development land and 23 acres of greenbelt was retained by Henry Boot. After purchase completion, planning permission was then secured for a mixed-use scheme including residential, office and leisure uses. We then targeted interest from a range of hotel operators and potential residential development partners and are now expecting to finalise terms for the majority of the residential scheme in the early part of 2014, enabling that part of the development to proceed to site in the second half of the year. Towards the end of 2013 we were selected as the preferred development partner by Aberdeen City Council to undertake the development of a new exhibition and conference centre together with a business park and hotel on a 130 acre site we have under contract, adjacent to Aberdeen Airport. The proposed scheme also includes the mixed-use redevelopment of the existing 45 acre exhibition and conference centre site, after relocation to the proposed new facility. Initial agreements for this very significant and exciting development are now in place and work will proceed rapidly to obtain planning consent, subsequently targeting scheme completion in 2017/18.

We made good progress with planning, scheme design and pre-let discussions on our town centre retail, leisure and foodstore scheme in Daventry with the agreement of terms for an 80,000 sq ft foodstore and the receipt of planning permission for the residual 87,000 sq ft scheme, which now also benefits from agreed terms with a number of retail and leisure operators. We hope to conclude these agreements during the course of 2014 to enable the site development to begin early in 2015.

We continue to focus on the release of capital tied up in other development sites we own as well as securing new opportunities which will generate value in future years. Taking such development projects through the planning and development process can often be a protracted exercise but it is pleasing to note good progress was made during the year and we confidently expect to be able to report on a number of further transactions and new development projects in the coming year.

Our 50% owned house building business completed 26 units in the year and, as we move into 2014, is looking to grow activity towards 40 units. The business is now profitable and with a recovering market we are confident of building on the success achieved so far. The management team is largely in place and capable of achieving the growth targets set. We have the required land bank for 2014 and are currently in discussions about longer-term sites which would provide 250 units into the future.

We expect to conclude the refurbishment of Park House, our serviced office in Leeds, soon. From early 2014 we will be marketing the completed scheme to small businesses who are looking to work from high specification, technologically advanced office space for a fixed cost with flexible lease arrangements. Interest and letting success so far has been very positive and 2014 should see us decide whether this proposition is as successful as we hope it to be.

LAND DEVELOPMENT

Hallam Land Management Limited, our strategic land business, had another very active year in 2013. Whereas 2012 was very productive in terms of obtaining planning permissions but quiet in terms of sales trading, 2013 has seen an upturn in the number of site disposals and continued further success securing planning consents. The strategic land market has shown a steady improvement throughout the year and those areas of the country where land sales proved difficult in the recession have reduced in number and in size. As a consequence, we achieved a higher number of land disposals this year. Prices have moved up steadily across the board, although deals still remain very difficult to complete as a result of the complexity of due diligence undertaken.

The main disposals achieved in the year were at Banbury, Evesham, Long Buckby, Mansfield, Nuneaton, Burdiehouse, Rolleston-on-Dove, Rothwell and Desborough, which contributed to an excellent segment profit before tax of £11.1m (2012: £2.0m).

In the year, we secured planning permission (or minded to grant planning, subject to signing a planning agreement) on sites at Abingdon, Burton upon Trent, Chatteris, Coventry, Derby, Dunbar, East Leake, Haddington, Hailsham, Leeds (Oulton and Rothwell), Marston Moretaine, Nuneaton, Pontefract, Ripley and Southbourne.

We have continued to add land into our land portfolio with new sites being acquired in 2013 at Grazely, Beverley, Coxhoe, Alton, Mortimer, Thame, Burton Latimer, Bradford, Doncaster, Frome and Swadlincote. At December 2013 we held interests in 9,723 acres (2012: 9,011 acres), with 1,791 acres being owned (2012: 1,765 acres), 3,184 acres held under option (2012: 3,466 acres) and 4,748 acres held under planning promotion agreement (2012: 3,780 acres). The continued investment in new sites and planning costs resulted in an inventory value of the assets of £83.9m (2012: £75.9m) across the 139 sites within the portfolio. At the end of 2013 we were in discussions on a number of new sites which have been identified as possible additions to the portfolio and expect to conclude on the majority of these in 2014, pushing our land interests towards 10,000 acres. We also continue to uncover good opportunities to acquire further land into our portfolio at competitive pricing levels and are actively looking to do so.

We have secured planning permission or minded to grant permission subject to the signing of a planning agreement on the following sites during 2013 and post year end:

Site	Status	No. of residential units
Abingdon	Planning Promotion Agreement	160
Burton upon Trent	Planning Promotion Agreement	950
Chatteris	Planning Promotion Agreement	1,000
Coventry	Option	98
Derby, Chellaston	Owned	54
Derby, Wragley Way	Planning Promotion Agreement	130
Dunbar	Option	70
East Leake	Planning Promotion Agreement	170
Frome	Option	450
Haddington	Option	113
Hailsham	Planning Promotion Agreement	240
Leeds, Oulton	Owned	40
Leeds, Rothwell	Owned	45
Marston Moretaine	Owned	125
Nuneaton Lower Farm	Planning Promotion Agreement	400
Pontefract	Owned	40
Ripley	Owned	180
Stone	Planning Promotion Agreement	250
Southbourne	Planning Promotion Agreement	130
Winsick, Chesterfield	Owned	160

In addition, on the following sites we have already achieved a planning permission and are still working towards a sale:

Site	Status	No. of residential units
Biddenham	Owned/Planning Promotion Agreement	495
Blaby, Leicester	Planning Promotion Agreement	1,593
Bolsover	Owned	250
Bradford	Planning Promotion Agreement	292
Bridgwater	Owned	420
Cam, Nr Stroud	Owned	71
Cleek Hall, Selby	Option	Wind farm
Cranbrook, Exeter	Owned	500
Highbridge	Planning Promotion Agreement	130
Kegworth	Owned	110
Kettering	Owned	325
Kilmarnock	Owned	500
Mansfield Penniment Farm	Owned	215
Peterborough	Owned	25
Retford	Owned	8
Rugby	Owned	180

Stratford-upon-Avon	Planning Promotion Agreement	250
Tillcoultry	Owned	74
Winsford	Option	180

We have also made applications, which at this stage remain undetermined, at the following sites:

Site	Status	No. of residential units
Aldingbourne	Owned	79
Aslockton	Planning Promotion Agreement	75
Barnsley	Owned	75
Buxton	Planning Promotion Agreement	375
Fareham	Planning Promotion Agreement	1,550
Faversham	Planning Promotion Agreement	315
Hamble	Planning Promotion Agreement	225
Harrogate	Option	200
Irthlingborough	Planning Promotion Agreement	700
Longbar	Owned	50
Market Harborough	Owned	500
Moodiesburn	Owned	50
Repton	Owned	40
Sheffield	Owned	200
Stafford	Owned	14
Swindon	Option	1,000
Warton	Planning Promotion Agreement	360
Worcester, Earl's Court Farm	Planning Promotion Agreement	450
Worksop	Planning Promotion Agreement	175
Wymondham	Option	390

Finally, the following sites are at appeal:

Site	Status	No. of residential units
Aylesbury	Planning Promotion Agreement	200
Aylesbury	Planning Promotion Agreement	1,560
Banbury	Option	500
Bathgate	Owned	140
Eckington	Planning Promotion Agreement	70
Handcross	Planning Promotion Agreement	90
Launceston	Owned	100

Last year, we reported that we had achieved a minded to grant planning permission on our shared site at Blaby, for 4,250 houses. During the year we have made steady progress in negotiating a highly complex Section 106 agreement, which we are pleased to report has recently been signed, confirming our largest ever single permission although this permission has now been judicially reviewed. There is still a good deal of preparatory work to be done but we still expect the first land sales to come forward in 2015/16. In addition, at Cranbrook, Exeter, over 600 houses have now been built or are under construction on one of our other major shared sites. This scheme, which is proving to be very popular, already has permission for 3,500 homes which will probably expand to over 5,000 homes. Over the coming years, given their size, we expect to make profitable land sales on these and other large long-term sites held in the portfolio.

In last year’s report we indicated that the Government’s reforms to the planning system were creating an opportunity to secure more planning permissions than for many years. This trend continued into and through 2013 and is likely to persist into 2014 and beyond. We must all recognise that the planning process is affected by the political process and is therefore inherently unstable. At present, the planning system is much improved and generally responsive to the need for housing where there is a demonstrable shortfall in the five year local housing supply. This has helped bring forward sites and made the process much more predictable and efficient. For the first time ever the Group has accumulated a small stock of consented sites which will help us provide a little more certainty in forecasting forward-looking activity levels particularly if, once again, new planning permissions become harder to obtain.

Within many Planning Authorities, these changes have taken time to be adopted in full but they are now generally more understanding of the Government's new rules and are much more likely to grant permission than was previously the case where a land supply shortfall exists. There are still a number of Local Authorities that stubbornly refuse to accept the land supply arguments, even where there are no reasonable grounds for doing so. However, as a direct consequence of the revised appeal process within the planning system, where initial applications are lost on spurious grounds, we are consistently winning appeals; indeed in 2013 our success rate was around 90%.

Undoubtedly, Government measures to stimulate the housing sector have assisted and schemes such as 'Help to Buy' and 'Funding for Lending' have increased house builders' confidence levels and created a catalyst for new house buyers to visit sites. The overall number of new home transactions has increased steadily throughout the year and, likewise, house prices have started to recoup pricing levels lost in the recession. The Government, rightly, remains nervous of creating a house price bubble, as evidenced by its shift of emphasis for the 'Funding for Lending' scheme. We recognise that the Government has to tread a very fine line between keeping the house building sector vibrant and avoiding a new price spiral, which benefits no one in the longer term.

Despite the substantial improvements in the planning system, Community Infrastructure Levy, Section 106 agreements, and the high levels of affordable housing are continuing difficulties which have to be dealt with. These issues have been largely unaffected by the planning reforms, indeed, as Local Authorities' own financial position has worsened it has become even more important for them to secure financial contributions from the land developments which they approve. Those contributions affect the cost of new homes, add directly to planning costs and other agreements and increase the time taken to actually receive a Notice of Decision once a Local Planning Authority has been minded to grant a planning permission. Streamlining these procedures and contributions would significantly speed up the planning process and deliver the affordable new homes the Government aspires to achieve.

Overall, the progress in 2013 has been very satisfactory and the outlook for 2014 and beyond remains positive. We continue to anticipate steady growth and further expansion within our business in support of the recovering house builders. In November 2013 we opened a new office, our seventh, in Leeds. We now feel we have full coverage of the UK and with this structure in place we can achieve the growth identified in our plans.

CONSTRUCTION

Whilst the marketplace has remained challenging during 2013, Henry Boot Construction Limited has achieved both targeted activity and profit margins. We are also confident that our budgeted profit and turnover levels will be maintained after carrying a substantial order book into 2014.

Pleasingly, after many months of contraction in general construction output we are starting to see increases in activity and consequently expect a small increase in general tender price levels during the coming year. Growth in opportunities across a wide range of sectors, coupled with our reputation for the delivery of high quality projects, has enabled us to maintain both activity and margin levels in the public sector with partnering and framework agreements in the social housing, health, education and custodial sectors. At the same time we are also seeing greater opportunities in the retail, industrial, commercial and leisure sectors. We have recently been awarded a major contract to redevelop Stocksbridge town centre for the Stocksbridge Regeneration Company. This contract comprises retail, commercial and associated civil engineering works and commences in 2014 for completion in 2016.

We continue to maintain a strong presence in both the Decent Homes market and external wall insulation works. We are continuing to work on long-term frameworks and partnership arrangements for St Leger Homes, North Lincolnshire Homes, Eastlands Homes, Sheffield City Council, EN Procure, Fusion 21, Hull City Council, Yorkshire Housing and ASRA Housing Group. This market continues to offer good opportunities in the short to medium term.

The Ministry of Justice framework is continuing to provide new build and refurbishment opportunities for HM Prison Service and HM Court and Tribunals Service in the north of England. After a slow start we are starting to see an encouraging number of opportunities and anticipate that this will continue over the remaining five years of the framework.

The level of work available from the industrial sector has also shown signs of growth; we are delivering a major design and build contract for Bifrangi, in Lincoln, to provide Screw Press House and research facilities. We have also completed works for Tata Steel in Sheffield and Rotherham during the year and are currently delivering a major laboratory refurbishment for Smithers Viscient in Harrogate.

The education and commercial sectors continue to provide a steady stream of work with contracts carried out for Sheffield Hallam University including the refurbishment and remodelling works on their Collegiate Campus together with the Sheffield Sports Park and Graham Solley Pavilion Development. Work will also commence shortly on the Joseph Banks laboratory fit-out contract for the University of Lincoln.

Projects, in conjunction with the Football Association, to provide changing facilities and sports pavilions for Barwell District Council and Codnor Sports Charitable Trust have also been completed in the year and discussions are ongoing with other potential end users.

We have recently successfully completed the refurbishment of the Moorfoot Office Complex for Sheffield City Council and the Managed Workspace Development in Sheffield for the Manor Development Company. Construction has also recently commenced on two major projects for Henry Boot Developments Limited at Markham Vale with a cold storage unit for Holdsworth Food and a food production unit for Ready Egg.

In the health sector, we continue to undertake schemes under a long-term strategic framework for the Sheffield Teaching Hospitals at both the Northern General and Royal Hallamshire Hospitals. December also saw the completion of the refurbishment of a Grade II listed five storey mill to provide offices and clinical areas for the Pennine Property Partnership LLP in Huddersfield.

Our Civil Engineering division has seen steady growth following the targeted expansion of our client base. We have completed contracts for a new Lytag Process Plant at Drax Power Station for Fairport Engineering Limited, and a new rail unloading and asphalt production plant for Aggregate Industries UK Limited, in Sheffield. We have also commenced works at the Queen’s Medical Centre in Nottingham to provide a new compound for BOC to increase the hospital’s oxygen supply. Works have also commenced on the refurbishment of Lindholme water treatment works for Byzak on the AMP (Asset Management Plan) framework for Yorkshire Water. The YORcivils framework is also continuing to provide good opportunities as is the North Yorkshire Bridge framework. A steady workflow is also arising from our supply chain partner agreement with Amey on the 25 year PFI Sheffield Streets Ahead programme. We have successfully delivered 35 schemes in the year and have now commenced the second year of the programme where we continue to deliver a large number of relatively low value schemes. We anticipate this partnership will provide good growth opportunities over the coming years.

We have maintained our presence in the renewable sector delivering both ground and air source heat pump schemes for Berneslai Homes, Ampleforth College and the Castle Howard Estate. We have completed further photovoltaic projects for North Lincolnshire Council, North Lincolnshire Homes, South Yorkshire Passenger Transport Executive and Eastlands Homes. However, moving forward, we are cautious regarding the number of opportunities in this area, following the reduction in feed-in tariffs, the slow take up of the Green Deal and the proposed extension of the Energy Company Obligation until 2017.

ROAD LINK (A69)

The 30 year PFI contract to maintain the A69 Trunk Road has now been in operation for 18 years and continues to perform well. Traffic volumes during the year increased by over 2%; however, the price adjustment indices were slightly lower than expected. Despite this, planned and proactive maintenance of the A69 road and bridges, including innovative maintenance techniques, continues to provide savings against the original long-term cost plan. Various road resurfacing and bridge maintenance works were completed during 2013, all in accordance with our long-term programme. The financial forecasts for next year and to the end of the contract in 2026 remain favourable and we are confident that expected levels of profitability will continue.

PLANT HIRE

The year saw activity levels back to pre-recession levels with turnover increasing 12% over 2012. This increase was achieved through a combination of firmer hire rates and higher utilisation as a recovering construction industry, particularly house builders, sought plant in relatively tight supply.

Plant capital expenditure equated to 12% of original cost, exceeding our aim of 10% on a replacement basis. Over 30% of this was on access equipment as we introduced this line to our Derby depot. It is probable that capital expenditure will continue at this slightly elevated level as we grow our powered access fleet and replace older plant with more expensive Tier 4 environmentally efficient engines on large items of equipment.

All indications suggest that construction activity in 2014 will continue in line with last year and therefore the improvements in utilisation and efficiency achieved in 2013 should be consolidated moving forward.

FINANCIAL REVIEW

The benefits of our clear and consistent long-term strategy have really shone through in 2013. Economic recovery, particularly for the housing sector, is now well established, the debt and funding shackles have been relaxed, stronger economic recovery is supporting property development activity once again and these changes have a positive knock on effect in our construction and plant businesses.

The key highlights of our financial performance in 2013 are:

- Revenue increased by 49% to £153.8m
- Profit before tax increased by 37% to £18.4m
- Earnings per share increased by 23% to 8.6p
- NAV per share increased by 6% to 148p per share
- ROCE increased 213bps to 8.28%
- Dividends for the year increased 8.5% to a record 5.1p
- Total shareholder return was 70p, a 52% return on the 135p opening share price

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue increased 49% to £153.8m (2012: £103.1m) primarily due to higher land sales and development segment sales at York and Bromley. Gross profit increased to £37.8m (2012: £27.5m); however increased pension costs (revised IAS 19 non-cash costs) of £1.1m, overheads of £0.7m and a net comparative property revaluation and sale profits reduction of £3.6m resulted in an operating profit increase of 34% to £19.0m (2012 restated: £14.2m). The revaluation loss was largely as a result of a lower valuation of our mixed-use property in Nottingham where a tenant, Tenon PLC, entered administration, and we generated lower development profits than in 2012. Administrative cost increases of 4.9% to £13.9m were largely employment cost related. The increase in pension costs reflects the adoption of the revision to IAS 19 and is non-cash in nature.

The segmental result analysis shows that land development produced a significantly improved operating profit of £11.9m (2012: £2.3m). Property investment and development activities operating profit was reduced to £3.1m (2012: £7.4m), arising from the revaluation deficit at Nottingham and lower disposal profits. Construction division operating profits improved marginally to £8.2m (2012: £7.9m) helped by improved results in the plant hire business. These results show the benefits of a broadly based operating model where the deal driven results in the strategic land and commercial development segments can vary from year to year but are supplemented by the relatively stable returns from the construction division.

TAX

The tax charge for the year was £5.1m (effective rate of tax: 28.0%) (2012 restated: £2.3m and effective rate: 17.4%). Current taxation on profit for the year was £4.0m (2012: £1.9m); the charge for the year does not benefit from the revaluation deficit or prior year adjustments as last year. The decrease in fair value of investment properties currently generates no tax credit, but means that any future revaluation gains will also not be taxable until the unrecognised losses have been utilised. The unrecorded deferred tax asset is approximately £1.4m (2012: £1.4m). The increased deferred tax charge arises from the reduction in the future reversal rate applied to the deferred tax asset brought forward to 20% (2012: 23%), resulting in the deferred tax charge for the year increasing by £0.4m to £1.1m. The lower deferred tax rate is that expected to be applicable when the actual tax asset is utilised.

EARNINGS PER SHARE AND DIVIDENDS

Basic earnings per share were 23% higher at 8.6p (2012 restated: 7.0p). The total dividend payable for the year has been increased by 8.5% to 5.10p (2012: 4.70p), with the final proposed dividend also increasing by 8.6% to 3.15p (2012: 2.90p) payable on 30 May 2014 to shareholders on the register as at 2 May 2014. The ex-dividend date is 30 April 2014.

RETURN ON CAPITAL EMPLOYED

Higher pre-tax profitability in the year resulted in improved return on capital employed from 6.2% in 2012 to 8.3% in 2013. We aim to grow this return over time to between 10% and 13% as we believe, in the longer term, this is the level of return achievable by a successful business in the property sector.

FINANCING AND GEARING

Although debt has increased after further investment in our strategic land portfolio, net finance costs remained stable at £0.8m (2012: £0.8m). Average borrowing rates were slightly lower than the previous year and any increase in borrowing cost continues to be offset by a reduction in the non-utilisation fee. It is anticipated that interest costs will remain similar in 2014, subject to a possible change in interest rates later in the year. We expect to see further investment in both our land and development assets partly offset by investment sales as we recycle capital into the next phase of anticipated development activity. Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties and disposal profits) to net interest, was 24 times (2012: 15 times). No interest incurred in either year has been capitalised into the costs of assets.

Our continued extensive interaction with the planning system saw further investment in our strategic land holdings and to a lesser extent in the property development portfolio. As a planned consequence of these commitments, total year end net debt rose to £36.1m (2012: £21.9m). Gearing on net assets of £193.5m increased modestly to 19% (2012: net assets £181.9m; gearing 12%). Total year end net debt includes £3.0m (2012: £2.8m) of grant funding which is repayable from the future sale of residential units. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. During the year, we maintained three year committed bank facilities totalling £50m renewable in May 2015 and throughout the year we operated comfortably within the facility covenants and continue to do so. It is our intention to renew this facility during 2014 in advance of the 2015 renewal date. Due to the uncertain timing of our forecast land and property sales during December the Group deemed it appropriate to apply for a short-term increase in our borrowing facility. On 25 November 2013 the Group's overdraft facility was increased by £5m for a period of three months. The eventual timing of the Group's land and property transactions during December resulted in no utilisation of this additional facility.

STATEMENT OF CASH FLOWS

We continue to believe it is vital that we retain the flexibility to undertake developments and land deals without reference to specific funding from the lending institutions, which remain very cautious when lending against assets representing the speculative phase of the property cycle. We must therefore retain the ability to fund these from our own resources, reserving the property investment assets as the covenant support for our £50m of banking facilities. Forecast bank debt levels at the end of 2014 are expected to be slightly lower than 2013 as we start to realise some of our land investment through sales. During 2013, we increased operating cash flows before movements in working capital by 75% to £20.0m (2012: £11.4m) and, despite further investments in working capital of £18.5m (2012: £14.8m), we still achieved a positive change in cash generated from operations of £5.0m with an inflow in 2013 of £1.5m (2012: outflow £3.4m). Cash outflows from investing activities were slightly higher at £4.3m (2012: £4.1m) as we recycled £2.8m of investment property and property, plant and equipment sales into £7.2m of new property development and plant purchases. Dividends paid, including those to non-controlling interests, totalled £8.4m (2012: £7.6m), an 11% increase on the previous year as we achieved our aim to pay a pre-recession dividend level.

STATEMENT OF FINANCIAL POSITION

Investment property and assets classified as held for sale were valued at £142.9m (2012: £142.3m). The fair value of completed investment property including assets held for sale was £101.0m (2012: £98.0m) and the value of investment property under construction within investment property is £41.9m (2012: £44.2m) as we develop these assets into investment properties.

Intangible assets reflect the Group's investment in Road Link (A69) of £8.0m (2012: £9.2m). The treatment of this asset as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to the Highways Agency at the end of the concession period. Property, plant and equipment comprises Group occupied buildings valued at £6.8m (2012: £6.8m) and plant, equipment and vehicles with a net book value of £10.6m (2012: £9.8m); this increase arose from further investment in new plant. Non-current trade and other receivables have increased to £12.7m (2012: £11.5m) due to long-term payment plans on completed land sales. Given the potential land sales predicted for 2014 we anticipate that this debtor caption will increase next year. Non-current deferred tax assets reduced because of the lower IAS 19 pension deficit. In total, non-current assets have decreased slightly to £176.0m (2012: £186.6m).

Within current assets, inventories of £91.0m (2012: £81.6m) increased due to further investment in the land portfolio and our regeneration site in York. Trade and other receivables also increased to £43.1m (2012: £37.3m) from higher construction and land sales. Included within current assets held for sale is our property in Rotherham, let to B&Q. This sale is expected to complete in the first half of 2014. The increase in cash and cash equivalents arose because several transactions were concluded very close to our year end and the payments received could not be offset against short-term rollover loans which typify our facility drawdowns. In total, current assets increased to £160.2m (2012: £124.1m).

Current liabilities increased by £25.5m to £106.3m (2012: £80.8m) as the current portion of debt increased to £46.5m (2012: £19.2m). However, if we were to offset the cash current asset and the receipt of disposal proceeds on the asset held for sale, our current portion of debt would be broadly in line with the previous year. Trade payables reduced slightly to £50.2m (2012: £51.8m). Provisions reduced to £7.1m (2012: £9.4m) as amounts provided for the infrastructure obligations at Bridgwater and Cranbrook, Exeter, were utilised, as we satisfied the retained Section 106 planning obligations which were not passed onto the house builders when those sites were sold. Net current assets increased to £53.9m (2012: £43.3m). Distilled down, this increase is due to a further investment of £8.1m in land inventories. Non-current liabilities reduced to £36.4m (2012: £48.0m) after IAS 19 pension liabilities decreased to £20.1m (2012: £30.5m) after another reasonably strong performance from the scheme's assets and the introduction of RPIJ as the measure of inflation moving forward.

Net assets increased by 6.4% to £193.5m (2012: £181.9m) as the decrease in the pension deficit and retained profits exceeded the value of dividends paid out. Net asset value per share increased 6% to 148p (2012: 139p).

PENSION SCHEME

The annual IAS 19 valuation of the defined benefit pension scheme showed the deficit reducing to £20.1m (2012: £30.5m) at the year end. The scheme assets performed well in the year with an overall return of 9% and for the sixth year in succession achieved a better return than expected on scheme assets. The £9.5m gain on scheme assets goes a long way to explaining the decrease in the deficit since liabilities were relatively stable across both years under review. The discount rate used in 2013 was very slightly higher at 4.5% (2012: 4.45%) and RPI inflation increased to 3.0% from 2.75%. The deferred tax asset related to the deficit was £4.0m (2012: £7.0m). Adding back this net deficit of £16.1m (2012: £23.5m) to net assets, the 2013 deficit equates to 8% of equity shareholders' funds (2012: 11%). The triennial valuation at 1 January 2013 has concluded and the recovery plan contributions remain as agreed at the previous triennial valuation date, and will continue at £3.8m for the latest recovery period. The defined benefit scheme is closed to new entrants; active member contribution increases are capped at 1% per annum and new employees are offered entry to a defined contribution scheme. We continue to evaluate cost-effective ways of reducing risk within the scheme, and will undertake liability management exercises as appropriate. Our Auto-enrolment staging date is in the first half of 2014 and because many employees are already within an approved scheme we do not envisage that the additional Auto-enrolment pension costs in 2014 will be material to the Group results. In the current year the Group has adopted IAS 19 (amended 2011) which has resulted in the prior year restatement.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	2013 £'000	2012 £'000 (restated*)
Revenue	**153,794**	103,147
Cost of sales	**(115,971)**	(75,607)
Gross profit	**37,823**	27,540
Other income	**30**	28
Administrative expenses	**(13,936)**	(13,286)
Pension expenses	**(3,632)**	(2,501)
	20,285	11,781
(Decrease)/increase in fair value of investment properties	**(1,563)**	1,346
Profit on sale of investment properties	**304**	1,032
Loss on sale of assets held for sale	**—**	(11)
Operating profit	**19,026**	14,148
Finance income	**694**	633
Finance costs	**(1,526)**	(1,415)
Share of profit/(loss) of joint ventures	**183**	(8)
Profit before tax	**18,377**	13,358
Tax	**(5,143)**	(2,326)
Profit for the year from continuing operations	**13,234**	11,032
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:		
Revaluation of Group occupied property	**—**	(35)
Deferred tax on property revaluations	**84**	102
Actuarial gain/(loss) on defined benefit pension scheme	**8,537**	(10,142)
Deferred tax on actuarial (gain)/loss	**(2,447)**	1,953
Movement in fair value of cash flow hedge	**151**	169
Deferred tax on cash flow hedge	**(38)**	(51)
Total other comprehensive income/(expense) not being reclassified to profit or loss in	**6,287**	(8,004)

subsequent years:		
Total comprehensive income for the year	**19,521**	3,028
Profit for the year attributable to:		
Owners of the Parent Company	**11,315**	9,114
Non-controlling interests	**1,919**	1,918
	13,234	11,032
Total comprehensive income attributable to:		
Owners of the Parent Company	**17,558**	1,064
Non-controlling interests	**1,963**	1,964
	19,521	3,028
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**8.6p**	7.0p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**8.5p**	6.9p

* See note 1.

UNAUDITED STATEMENTS OF FINANCIAL POSITION

at 31 December 2013

	Group	
	2013	2012
	£'000	£'000
ASSETS		
Non-current assets		
Intangible assets	**7,994**	9,152
Property, plant and equipment	**17,354**	16,562
Investment properties	**132,394**	140,375
Investment in joint ventures	**180**	22
Trade and other receivables	**12,686**	11,538
Deferred tax assets	**5,411**	8,904
	176,019	186,553
Current assets		
Inventories	**91,013**	81,560
Trade and other receivables	**43,103**	37,268
Cash and cash equivalents	**15,587**	3,418
Assets classified as held for sale	**10,511**	1,900
	160,214	124,146
LIABILITIES		
Current liabilities		
Trade and other payables	**50,171**	51,786
Current tax liabilities	**2,505**	438
Borrowings	**46,492**	19,223
Provisions	**7,147**	9,384
	106,315	80,831
NET CURRENT ASSETS	**53,899**	43,315
Non-current liabilities		
Trade and other payables	**4,840**	2,244
Borrowings	**5,207**	6,137
Retirement benefit obligations	**20,075**	30,533
Provisions	**6,312**	9,051
	36,434	47,965
NET ASSETS	**193,484**	181,903
EQUITY		
Share capital	**13,510**	13,510
Property revaluation reserve	**3,355**	3,271
Retained earnings	**171,938**	160,692
Other reserves	**3,566**	3,497
Cost of shares held by ESOP trust	**(188)**	(444)

Equity attributable to owners of the Parent Company	**192,181**	180,526
Non-controlling interests	**1,303**	1,377
Total equity	**193,484**	181,903

UNAUDITED STATEMENTS OF CHANGES IN EQUITY
at 31 December 2013

	Attributable to owners of the Parent Company							
Group	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
At 1 January 2012	13,510	3,354	165,093	3,425	(601)	184,781	1,256	186,037
Profit for the year (restated*)	—	—	9,114	—	—	9,114	1,918	11,032
Other comprehensive income/(expense) (restated*)	—	67	(8,189)	72	—	(8,050)	46	(8,004)
Total comprehensive income	—	67	925	72	—	1,064	1,964	3,028
Equity dividends	—	—	(5,760)	—	—	(5,760)	(1,843)	(7,603)
Proceeds on disposal of treasury shares	—	—	—	—	16	16	—	16
Purchase of treasury shares	—	—	—	—	(79)	(79)	—	(79)
Transfer to retained earnings	—	(150)	150	—	—	—	—	—
Share-based payments	—	—	284	—	220	504	—	504
	—	(150)	(5,326)	—	157	(5,319)	(1,843)	(7,162)
At 31 December 2012	13,510	3,271	160,692	3,497	(444)	180,526	1,377	181,903
Profit for the year	—	—	11,315	—	—	11,315	1,919	13,234
Other comprehensive income	—	84	6,090	69	—	6,243	44	6,287
Total comprehensive income	—	84	17,405	69	—	17,558	1,963	19,521
Equity dividends	—	—	(6,358)	—	—	(6,358)	(2,037)	(8,395)
Proceeds on disposal of treasury shares	—	—	—	—	26	26	—	26
Share-based payments	—	—	199	—	230	429	—	429
	—	—	(6,159)	—	256	(5,903)	(2,037)	(7,940)
At 31 December 2013	**13,510**	**3,355**	**171,938**	**3,566**	**(188)**	**192,181**	**1,303**	**193,484**

* See note 1.

UNAUDITED STATEMENTS OF CASH FLOWS
for the year ended 31 December 2013

	Group	
	2013 £'000	2012 £'000 (restated*)
Cash flows from operating activities		
Operating profit	**19,026**	14,148
Adjustments for non-cash items:		
Amortisation of PFI asset	**1,140**	1,131
Goodwill impairment	**204**	203
Depreciation of property, plant and equipment	**3,086**	2,996
Impairment losses on land and buildings	—	75
Revaluation decrease/(increase) in investment properties	**1,563**	(1,346)
Amortisation of capitalised letting fees	**88**	37
Share-based payment expense	**429**	504
Pension scheme credit	**(1,921)**	(2,258)
Loss on disposal of assets held for sale	—	11
Gain on disposal of property, plant and equipment	**(406)**	(333)
Gain on disposal of investment properties	**(304)**	(1,032)
Operating cash flows before movements in equipment held for hire	**22,905**	14,136
Purchase of equipment held for hire	**(3,303)**	(3,013)
Proceeds on disposal of equipment held for hire	**471**	272
Operating cash flows before movements in working capital	**20,073**	11,395
Increase in inventories	**(9,106)**	(19,376)

(Increase)/decrease in receivables	**(5,129)**	7,520
Decrease in payables	**(4,294)**	(2,973)
Cash generated from/(used by) operations	**1,544**	(3,434)
Interest paid	**(1,152)**	(1,135)
Tax paid	**(1,984)**	(3,381)
Net cash flows from operating activities	**(1,592)**	(7,950)
Cash flows from investing activities		
Purchase of intangible assets	**(186)**	(69)
Purchase of property, plant and equipment	**(793)**	(1,493)
Purchase of investment property	**(6,417)**	(10,429)
Proceeds on disposal of property, plant and equipment	**153**	348
Proceeds on disposal of investment properties	**2,219**	6,579
Proceeds on disposal of assets held for sale	**450**	964
Dividends received from joint ventures	**25**	—
Interest received	**290**	33
Net cash flows from investing activities	**(4,259)**	(4,067)
Cash flows from financing activities		
Purchase of treasury shares	**—**	(79)
Proceeds on disposal of treasury shares	**26**	16
Decrease in borrowings	**(12,937)**	(11,222)
Increase in borrowings	**39,326**	30,077
Dividends paid – ordinary shares	**(6,337)**	(5,739)
– non-controlling interests	**(2,037)**	(1,843)
– preference shares	**(21)**	(21)
Net cash flows from financing activities	**18,020**	11,189
Net increase/(decrease) in cash and cash equivalents	**12,169**	(828)
Net cash and cash equivalents at beginning of year	**3,418**	4,246
Net cash and cash equivalents at end of year	**15,587**	3,418
Analysis of net debt:		
Cash and cash equivalents	**15,587**	3,418
Net cash and cash equivalents	**15,587**	3,418
Bank loans	**(48,746)**	(22,331)
Related party loans	—	(200)
Government loans	**(2,953)**	(2,829)
Net debt	**(36,112)**	(21,942)

* See note 1.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

1. Basis of preparation

This financial information has been prepared in accordance with IFRS 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. It has 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 same accounting policies and methods of computation are followed as in the latest published audited accounts for the year ended 31 December 2012, which are available on the Group's website at www.henryboot.co.uk, except for as described below:

The following standards, amendments and interpretations to existing standards are mandatory for the first time for the financial year ending 31 December 2013:

		Effective from
Annual improvements (issued 2012)	'Improvements to IFRSs 2009–2011'	1 January 2013
IFRIC 20 (issued 2011)	'Stripping Costs in the Production Phase of a Surface Mine'	1 January 2013
IAS 12 (amended 2010)	'Deferred Tax: Recovery of Underlying Assets'	1 January 2013

IAS 19 (amended 2011)	'Employee Benefits'	1 January 2013
IAS 27 (issued 2011)	'Separate Financial Statements'	1 January 2013
IAS 28 (issued 2011)	'Investments in Associates and Joint Ventures'	1 January 2013
IFRS 1 (amended 2010)	'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'	1 January 2013
IFRS 1 (amended 2012)	'Government Loans'	1 January 2013
IFRS 7 (amended 2011)	'Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013
IFRS 10 (issued 2011)	'Consolidated Financial Statements'	1 January 2013
IFRS 10 (issued 2012)	'Transition Guidance'	1 January 2013
IFRS 11 (issued 2011)	'Joint Arrangements'	1 January 2013
IFRS 11 (issued 2012)	'Transition Guidance'	1 January 2013
IFRS 12 (issued 2011)	'Disclosures of Interests in Other Entities'	1 January 2013
IFRS 12 (issued 2012)	'Transition Guidance'	1 January 2013
IFRS 13 (issued 2011)	'Fair Value Measurement'	1 January 2013

Of the new standards, amendments and interpretations that are in issue and mandatory for the financial year ended 31 December 2013, with the exception of IAS 19 (amended 2011) and IFRS 13 (issued 2011), the adoption of these standards and interpretations has not had a significant impact on the Group.

The adoption of IAS 19 (amended 2011) has resulted in an increase in the pension expense of approximately £1,563,000 in the year and £545,000 in the year ended 31 December 2012. The year ended 31 December 2012 has been restated to reflect these changes. The changes have had no impact on the overall reserves or the Consolidated Statement of Financial Position for these periods.

The Group has applied IFRS 13 (issued 2011) for the first time in the current year. IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements. The adoption of IFRS 13 has had no impact on the overall reserves or the Consolidated Statement of Financial Position.

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.

The preliminary results for the year ended 31 December 2013 are unaudited. The financial information set out in this announcement does not constitute the Group's IFRS statutory accounts for the years ended 31 December 2013 or 31 December 2012 as defined by Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2012 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, reported on those accounts and their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2013 will be finalised on the basis of the financial information presented by the Directors in these preliminary results and will be delivered to the Registrar of Companies following the Annual General Meeting of Henry Boot PLC.

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 development; 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 Group made land disposals to a single customer amounting to 17% of the Group's total revenue. Land transactions are often high value, low volume transactions and as the Group received offers from multiple customers for its sales it is not reliant on any major customer individually. The remaining revenue for the year and all of those during the prior year were 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.

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.

	2013					
Revenue	**Property investment and development £'000**	**Land development £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	**37,623**	**37,655**	**78,516**	**—**	**—**	**153,794**
Inter-segment sales	**296**	**8**	**3,726**	**656**	**(4,686)**	—
Total revenue	**37,919**	**37,663**	**82,242**	**656**	**(4,686)**	**153,794**
Operating profit/(loss)	**3,056**	**11,896**	**8,180**	**(4,112)**	**6**	**19,026**
Finance income	**1,629**	**750**	**1,398**	**25,245**	**(28,328)**	**694**
Finance costs	**(7,202)**	**(1,506)**	**(580)**	**(3,726)**	**11,488**	**(1,526)**
Share of profit of joint ventures	**183**	**—**	**—**	**—**	**—**	**183**
Profit/(loss) before tax	**(2,334)**	**11,140**	**8,998**	**17,407**	**(16,834)**	**18,377**
Tax	**(173)**	**(2,587)**	**(2,228)**	**(150)**	**(5)**	**(5,143)**
Profit/(loss) for the year	**(2,507)**	**8,553**	**6,770**	**17,257**	**(16,839)**	**13,234**
Other information						
Capital additions	**6,462**	**17**	**3,645**	**314**	**—**	**10,438**
Depreciation	**80**	**14**	**2,451**	**541**	**—**	**3,086**
Impairment	**—**	**—**	**204**	**—**	**—**	**204**
Amortisation	**88**	**—**	**1,140**	**—**	**—**	**1,228**
Decrease in fair value of investment properties	**1,563**	**—**	**—**	**—**	**—**	**1,563**
Provisions	**(1)**	**157**	**1,116**	**—**	**—**	**1,272**
Pension scheme credit	**—**	**—**	**—**	**(1,921)**	**—**	**(1,921)**

* See note 1.

	2012					
Revenue	Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000 (restated*)	Eliminations £'000	Total £'000
External sales	15,361	8,750	79,036	—	—	103,147
Inter-segment sales	299	—	951	552	(1,802)	—
Total revenue	15,660	8,750	79,987	552	(1,802)	103,147
Operating profit	7,355	2,329	7,888	(3,437)	13	14,148
Finance income	1,334	742	1,355	10,558	(13,356)	633
Finance costs	(6,769)	(1,080)	(634)	(3,533)	10,601	(1,415)
Share of loss of joint ventures	(8)	—	—	—	—	(8)
Profit/(loss) before tax	1,912	1,991	8,609	3,588	(2,742)	13,358
Tax	2,284	(466)	(2,102)	(1,934)	(108)	(2,326)
Profit/(loss) for the year	4,196	1,525	6,507	1,654	(2,850)	11,032
Other information						
Capital additions	10,535	9	3,454	1,006	—	15,004
Depreciation	35	22	2,406	533	—	2,996
Impairment	75	—	203	—	—	278
Amortisation	37	—	1,131	—	—	1,168
Increase in fair value of investment properties	(1,346)	—	—	—	—	(1,346)
Provisions	(6)	727	701	—	—	1,422
Pension scheme credit	—	—	—	(2,258)	—	(2,258)

	2013 £'000	2012 £'000
Segment assets		
Property investment and development	**172,749**	167,760
Land development	**113,251**	101,445
Construction	**27,117**	26,497
Group overheads and other	**2,118**	2,675
	315,235	298,377
Unallocated assets		
Deferred tax assets	**5,411**	8,904
Cash and cash equivalents	**15,587**	3,418
Total assets	**336,233**	310,699
Segment liabilities		
Property investment and development	**4,280**	4,331
Land development	**22,976**	23,808
Construction	**39,248**	42,354
Group overheads and other	**1,966**	1,972
	68,470	72,465
Unallocated liabilities		
Current tax liabilities	**2,505**	438
Current borrowings	**46,492**	19,223
Non-current borrowings	**5,207**	6,137
Retirement benefit obligations	**20,075**	30,533
Total liabilities	**142,749**	128,796
Total net assets	**193,484**	181,903

3. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in year:		
Preference dividend on cumulative preference shares	**21**	21
Final dividend for the year ended 31 December 2012 of 2.90p per share (2011: 2.60p)	**3,786**	3,388
Interim dividend for the year ended 31 December 2013 of 1.95p per share (2012: 1.80p)	**2,551**	2,351
	6,358	5,760

The proposed final dividend for the year ended 31 December 2013 of 3.15p per share (2012: 2.90p) makes a total dividend for the year of 5.10p (2012: 4.70p).

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 £4,122,000.

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 except for a nominal amount.

4. 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:

31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Increase/ (decrease) in fair value in year
Completed investment property					
Industrial	—	—	9,435	9,435	22

Leisure	—	—	6,408	6,408	183
Mixed-use	—	—	54,375	54,375	(1,118)
Residential	—	—	4,379	4,379	494
Retail	—	—	15,930	15,930	(682)
Investment property under construction					
Industrial	—	—	6,830	6,830	—
Land	—	—	7,596	7,596	(661)
Leisure	—	—	3,709	3,709	199
Office	—	—	600	600	—
Retail	—	—	23,132	23,132	—
Total fair value	—	—	132,394	132,394	(1,563)

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 cause 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 Statement of Financial Position date and throughout the year, all property was 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.

Investment properties have been split into different classes to show the composition of the investment property portfolio of the Group as at the Statement of Financial Position 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 **Fair value hierarchy**	Industrial Level 3 £'000	Leisure Level 3 £'000	Mixed-use Level 3 £'000	Residential Level 3 £'000	Retail Level 3 £'000	**2013** **£'000**	2012 £'000
Fair value							
At 1 January	10,978	1,187	54,377	4,314	25,293	**96,149**	86,018
Subsequent expenditure on investment property	137	(9)	1,076	—	93	**1,297**	888
Capitalised letting fees	37	9	68	—	55	**169**	92

Amortisation of capitalised letting fees	(35)	(2)	(28)	—	(22)	**(87)**	(34)
Disposals	—	—	—	(361)	—	**(361)**	(514)
Transfers to assets held for sale	(1,704)	—	—	—	(8,807)	**(10,511)**	(1,900)
Transfer to inventories	—	—	—	(68)	—	**(68)**	(69)
Transfers from property, plant and equipment	—	—	—	—	—	—	173
Transfers from investment property under construction	—	5,040	—	—	—	**5,040**	10,576
(Decrease)/increase in fair value in year	22	183	(1,118)	494	(682)	**(1,101)**	919
At 31 December	**9,435**	**6,408**	**54,375**	**4,379**	**15,930**	**90,527**	96,149
Adjustment in respect of tenant incentives	44	42	2,382	—	220	**2,688**	4,685
Adjustment in respect of tax benefits	(49)	—	(422)	—	—	**(471)**	(724)
Market value at 31 December	**9,430**	**6,450**	**56,335**	**4,379**	**16,150**	**92,744**	100,110

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 2013 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 £88,365,000 (2012: £95,795,000). 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 2013 has been determined by the Directors of the Company at £4,379,000 (2012: £4,315,000). 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):

		Industrial	Leisure	Mixed-use	Residential	Retail
Valuation technique		Yield	Yield	Yield	Sales comparison	Yield
Rental value per sq ft (£)	– weighted average	4.89	28.00	11.65	—	9.00
	– low	4.24	22.64	2.50		2.36
	– high	6.00	40.86	58.39	—	26.78
Yield %	– weighted average	7.49	7.30	9.10	—	8.19
	– low	7.15	6.08	6.00	—	4.40
	– high	9.54	7.25	15.56		15.00
% discount applied to houses held under assured tenancies		—	—	—	25.00	—

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

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

	Impact on valuation £'000				
	Industrial	Leisure	Mixed-use	Residential	Retail
Yield – improvement by 0.5%	603	438	3,043	—	1,155
Rental value per sq ft – increase by £1 average	1,925	242	5,084	—	1,457
Tenancy discount – increase by 1%	—	—	—	50	—

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.

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £7,653,000 (2012: £7,461,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £672,000 (2012: £1,048,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £349,000 (2012: £426,000).

At 31 December 2013, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £321,000 (2012: £3,472,000).

Investment property under construction

Class **Fair value hierarchy**	Industrial Level 3 £'000	Land Level 3 £'000	Leisure Level 3 £'000	Office Level 3 £'000	Retail Level 3 £'000	**2013** **£'000**	2012 £'000
Fair value							
At 1 January	7,563	8,090	6,669	599	21,305	**44,226**	52,180
Subsequent expenditure on investment property	905	342	1,859	1	1,796	**4,903**	9,358
Capitalised letting fees	—	—	22	—	26	**48**	91
Amortisation of capitalised letting fees	—	—	—	—	(1)	**(1)**	(3)
Disposals	(1,353)	(175)	—	—	—	**(1,528)**	(4,980)
Transfer (to)/from inventories	(285)	—	—	—	6	**(279)**	—
Transfers to completed investment property	—	—	(5,040)	—	—	**(5,040)**	(10,576)
Transfers to construction contracts	—	—	—	—	—	**—**	(2,271)
(Decrease)/increase in fair value in year	—	(661)	199	—	—	**(462)**	427
At 31 December	**6,830**	**7,596**	**3,709**	**600**	**23,132**	**41,867**	44,226
Adjustment in respect of tenant incentives	—	—	—	—	—	—	4
Adjustment in respect of tax benefits	—	—	—	—	—	—	—
Market value at 31 December	**6,830**	**7,596**	**3,709**	**600**	**23,132**	**41,867**	44,230

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

		Industrial	Land	Leisure	Office	Retail
Valuation technique		Residual	Sales comparison	Residual	Residual	Residual
Rental value per sq ft (£)	– weighted average	4.35	—	17.98	15.00	16.02
	– low	4.25	—	10.76	14.00	4.75
	– high	5.50	—	25.20	16.00	32.50
Yield %	– weighted average	7.25	—	5.50	8.50	6.77
	– low	6.75	—	5.00	7.75	4.75
	– high	7.50	—	6.00	9.00	8.00
Costs to complete per sq ft (£)	– weighted average	41.16	3.48	192.44	116.73	151.25
	– low	41.16	0.78	147.80	116.73	44.93
	– high	41.16	5.81	244.41	116.73	246.19
Land value per acre (£'000)	– weighted average	—	106	—	—	—
	– low	—	22	—	—	—
	– high	—	1,550	—	—	—

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

	Impact on valuation £'000				
	Industrial	Land	Leisure	Office	Retail
Yield – improvement by 0.5%	2,864	—	1,245	5	9,601
Rental value per sq ft – increase by £1 average	8,891	—	715	22	6,489
Costs to complete – increase by 1%	682	11	42	16	470
Land value per acre – increase by 5%	—	493	—	—	—

Investment properties under construction are developments which have been valued at 31 December 2013 at fair value by the Directors of the Company using the residual method at £41,867,000 (2012: £44,226,000). 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.

5. These preliminary results were approved by the Board of Directors and authorised for issue on 26 March 2014.

6. The 2013 Annual Report and Financial Statements is to be published on the Company's website at www.henryboot.co.uk and sent out to those shareholders who have elected to continue to receive paper communications by no later than Thursday 17 April 2014. Copies will be available from The Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD.

7. The Annual General Meeting of the Company is to be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 22 May 2014, commencing at 12.30pm.