22 March 2019

HENRY BOOT PLC
(‘Henry Boot’, ‘the Company’ or ‘the Group’)

UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Henry Boot PLC, a company engaged in land promotion, property investment and development, and construction, announces its results for the year ended 31 December 2018. Ticker: BOOT.L: Main market premium listing: FTSE: Construction & Materials.

2018 KEY HIGHLIGHTS

- Revenue of £397.1m (2017: £408.5m)
- Profit before tax of £48.6m (2017: £55.4m)
- Earnings per share of 28.3p (2017: 32.1p)
- Proposed final dividend of 5.80p (2017: 5.20p), giving a total for the year of 9.00p (2017: 8.00p), a 13% increase
- Net asset value per share increased 12% to 227p (2017: 203p)
- Net debt reduced to £18.4m (2017: £29.0m) with conservative gearing at 6% (2017: 11%),
- Strategic land acreage now 14,325 acres (2017: 13,273 acres)

Commenting on the results, Chairman, Jamie Boot said:

“The key strategic ethos of Henry Boot is to create long term value and sustainable growth for our stakeholders by financially empowering and commercially developing our people. In 2018 we continued this journey as we delivered yet another strong financial performance, while replenishing the longer-term property development opportunities within the business.

‘’We anticipate that 2019 will be a challenging year, as the UK real estate sector adapts to the marketplace following the UK’s decision to leave the EU. Nevertheless, I remain confident that we will achieve sector-leading results, despite the challenges we face, as we continue to build an extensive pipeline of opportunities in each of our businesses.”

Commenting on the results, Chief Executive Officer, John Sutcliffe said:

“We continue to take a long-term strategic approach to land promotion and property development while at the same time focusing on the delivery of the existing pipeline which should enable us to produce good results for the years ahead.

2019 has started well throughout the Group and will see us delivering significant schemes across the whole spectrum of our strategic land, property investment and development, housebuilding and construction businesses.’’

For further information, please contact:

Henry Boot PLC
John Sutcliffe, Chief Executive Officer
Darren Littlewood, Group Finance Director
Tel: 0114 255 5444
www.henryboot.co.uk

Investec Bank plc
Corporate Broker
Carlton Nelson/David Anderson
Tel: 020 7597 5970

Hudson Sandler LLP
Financial PR
Nick Lyon/Wendy Baker
Tel: 020 7796 4133

About Henry Boot PLC

Henry Boot PLC (BOOT.L) was established over 130 years ago and is one of the UK's leading and long-standing land promotion, property investment and development, and construction Group of Companies. Based in Sheffield, the Group comprises the following three segments:

Land Promotion:
Hallam Land Management Limited

Property Investment & Development:
Henry Boot Developments Limited, Stonebridge Homes Limited

Construction:
Henry Boot Construction Limited, Banner Plant Limited, Road Link (A69) Limited

The Group possesses a high-quality strategic land portfolio, an enviable reputation in the property development market backed by a substantial investment property portfolio and an expanding, jointly owned, housebuilding business. It has a construction specialism in both the public and private sectors, a growing plant hire business, and generates strong cash flows from its PFI contract, Road Link (A69) Limited.
www.henryboot.co.uk

CHAIRMAN'S STATEMENT

I am pleased to report that Henry Boot PLC achieved a profit before tax of £48.6m, another strong performance, in a year that was typified by higher levels of economic uncertainty and global political tension. This is the second-best result in our 133-year history, and, excluding a one-off unexpected pension scheme provision of £1.5m in relation to Guaranteed Minimum Pensions, this performance exceeded our expectations.

Earnings per share were 28.3p covering our proposed dividend over three times. Net assets rose to over £300m with NAV per share at 227p, an increase of 12%. Gearing, as we move into a potentially challenging year, was very prudent at 6%.

The two key profit drivers within the Group are: Hallam Land and Henry Boot Developments. In 2018, Hallam Land, our land promotion business, performed exceptionally well, selling over 3,500 units on 24 sites to help replenish the UK housebuilder's development land inventory. It retains a site portfolio of 14,325 acres and still holds 16,489 units with planning permission, held at cost with no planning gain value recognition, that are working through the sale process. Henry Boot Developments, our property investment and development business, performed well but was not able to progress certain schemes as quickly as it had originally anticipated. This was due to a combination of planning delays and the higher levels of due diligence that now accompany real estate transactions. Furthermore, the 2017 results of this business benefitted from the rapid sales of 164 apartments at the former Terry's Chocolate Factory which brought profit forward from 2018.

Stonebridge Homes, our jointly owned Leeds-based housebuilder, achieved 145 completions, up 84% on the 79 units completed in 2017. Once again, planning permission delays have affected the speed at which Stonebridge Homes was able to replenish its land bank. However, its proven ability to deliver much needed housing will result in more opportunities to buy land. We delivered £71m of construction activity in the year, up from £60m in 2017 and, given levels of already confirmed contract work and the number of opportunities open to us, we anticipate further growth in 2019. Banner Plant and Road Link A69, where we own a 61% share through to 2026, performed in line with expectations.

Dividend

I am pleased to report to shareholders that the Board is recommending a final dividend of 5.8p which, together with the interim of 3.2p, gives a total of 9.0p for the year, an increase of 13% over the 8.0p paid in 2017. Payment of the final dividend is subject to shareholder approval at the Annual General Meeting and will be paid on 29 May 2019 to shareholders on the register as at 26 April 2019.

Our People

The successful results in 2018 were achieved against a more challenging economic and political backdrop with the markets in which we operated being affected by a higher level of uncertainty. Against this background, our most valuable resource - our people - performed exceptionally well. We continue to empower our teams, both financially and through training initiatives, to acquire new opportunities and deliver profitable outcomes for our schemes. On behalf of the Board, our shareholders and other stakeholders, I salute our people for their resilience, skill and hard work in 2018. I am sure they will deal with the challenges that 2019 brings by using that same approach.

Outlook

The key strategic ethos of Henry Boot is to create long-term value and sustainable growth for our stakeholders by financially empowering and commercially developing our people. 2018 continued this journey as we delivered yet another strong financial performance, while replenishing the longer-term property investment and development opportunities within the business.

We anticipate that 2019 will be a challenging year, as the UK real estate sector adapts to the marketplace in anticipation of the UK's departure from the EU. In advance of this, we have taken the opportunity to reduce gearing through 2018 to take advantage of any opportunities which may arise through 2019. Henry Boot Construction has started the year with a strong committed order book, certain commercial developments anticipated to start during 2018 have now commenced and one sale expected to complete in 2018 completed in January 2019.

We remain committed to our chosen sectors of strategic land, commercial and residential property investment and development and construction. I remain confident that the skilled, experienced and dedicated teams in each of our businesses will achieve sector-leading results, despite the challenges we face. As reported before, we retain and continue to build an extensive pipeline of opportunities in each of our businesses. The Group's annual results are driven by the profitable delivery of schemes for that year but, rest assured that our teams are committed to the long-term financial success of each site we hold, irrespective of which financial period the profit ultimately arises in. It is through this attention to detail, on a site-by-site basis, that we ultimately achieve long-term value creation for all our stakeholders which is what we are resolutely committed to. Despite the macro uncertainty in the UK real estate market, the new year has started well and the Board's expectations for the current financial year remain unchanged.

Jamie Boot
Chairman

BUSINESS REVIEW

I am pleased to report that Henry Boot PLC has delivered yet another strong operational and financial performance, in line with the Board's expectations. Hallam Land had a very successful year supported by the continued positive trading achieved by the major UK housebuilders and the strength of the residential property market. Property Development continued to successfully deliver The Event Complex Aberdeen and its strategic employment site at Markham Vale in Derbyshire. We also achieved higher unit sales and financial returns from our jointly owned residential housebuilder, Stonebridge Homes. As anticipated, the results of our property investment and development segment were lower than those of the previous year in which we finalised and sold all of the first phase of residential units at The Chocolate Works, York, a scheme which was delivered well ahead of original expectations and the profits from which were recognised in 2016 and 2017, rather than 2016 through to 2019.

2019 has started well throughout the Group, which is positive given the lack of direction we have on the UK's future relationship with the EU. Despite this political backdrop, 2019 will see us deliver significant schemes across the whole spectrum of our strategic land, property investment and development, housebuilding and construction businesses.

Land Promotion

Hallam Land had a very successful year in 2018. Our UK housebuilder customers achieved strong house sales during the year and replenished their land banks in good market areas. Profit before tax for the year was £28.5m (2017: £23.1m) from selling 3,573 plots across 24 residential and three commercial schemes. Because of these sales, our consented site portfolio reduced to 16,489 plots (Dec 2017: 18,529); however, at the year end we had 11,929 plots which were the subject of planning applications (Dec 2017: 7,982), and we entered 2019 with 1,480 plot sales exchanged and awaiting completion in 2019.

As our strategic land portfolio is held as inventory, accounting policy requires these assets to be held at the lower of cost or net realisable value. In accordance with this policy no uplift in value can be recognised within our accounts relating to any of the 16,489 plots over which planning permission has been secured. Any increase in value created from securing planning permission over these assets will therefore only be recognised on disposal.

The following table shows our success over the last six years. Over this period, we have gained planning permission for 21,591 new plots, successfully sold 11,396 plots and built a land portfolio of plots moving into the sale process amounting to 16,489, in addition to the land we are now progressing through the planning system or waiting to come forward into the process.

Residential plots with planning permission

Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Plots sold	1,177	1,107	1,763	1,609	2,169	3,573
Plots gaining planning permission	5,319	2,216	2,259	5,983	4,281	1,533
Total plots held in inventory at year end	10,438	11,547	12,043	16,417	18,529	16,489

We secured a total of 1,533 new consented plots during the year (or consents subject to Section 106 agreement) including sites at: Bilston (95 plots), Crowmarsh Gifford (75 plots), Evesham (220 plots), Sileby (195 plots), Warwick (90 plots), Wellingborough (600 plots) and Wetherby (210 plots). At the year end the Company held land interests in 14,325 acres (2017: 13,273 acres) as either freehold or under option/promotion agreements, including 2,599 acres with planning consent (2017: 2,884 acres).

During the year we made initial disposals at Market Harborough (226 plots) and Haverhill (450 plots), leaving 236 plots and 800 plots respectively for future years. At Market Harborough the balance of the holding is contracted for disposal between 2019 to 2021, whereas at Haverhill (south east of Cambridge) the balance will be marketed in 2021/22. As mentioned last year, we benefit from a significant asset at Didcot, comprising 2,150 plots and a share in a local centre, to the west of the town. During 2018, we selected preferred housebuilders and contract negotiations have commenced as we work to secure disposal of these plots.

Another significant project that progressed very well during 2018 was at Eastern Green, Coventry. During the year planners removed this site from the green belt and allocated it for a mix of residential and commercial development in the Coventry city local plan. At the turn of the year we submitted a planning application for 2,625 plots, 15 hectares of commercial development, a primary school and other community facilities. Coventry is largely surrounded by green belt and this is the most significant site coming forward for development within the City boundary. Our aim is to secure planning consent late in 2019 with development commencing in 2020/21.

At our other long-standing projects, Cranbrook, the 3,500-unit new community at Exeter, and Kingsdown in Bridgwater, steady progress continued during the year. At Cranbrook we sold 180 plots to a regional housebuilder, and successfully progressed our expansion plans for the new town, while in Bridgwater, 72 plots were sold to a national housebuilder. Both projects continue to perform well.

We commence 2019 in very good shape with 1,480 plots exchanged for sale and a further 237 exchanged subject to reserved matters planning approval. Additionally, our consented portfolio was bolstered in the first few days of 2019 when a long-standing scheme to the west of Worcester secured outline consent, subject to signing the Section 106 agreement, for 900 plots.

We have been encouraged to see initial indications from the major UK housebuilders that they have traded, thus far, well through the period of uncertainty arising from the decision to leave the EU with no adverse impact on our contracted transactions and, therefore, we look forward to another solid year in 2019.

Property Investment and Development

Henry Boot Developments achieved good progress on a diverse range of projects in both the pre- and post-construction phases during 2018. New development opportunities were progressed on a 56-acre employment site at Cloverhill in Aberdeen, a 300-unit Private Rented Sector (PRS) scheme at Deansgate Station in Manchester and a prominent city centre site in Manchester for circa 100,000 sq ft of Grade A office space.

We have seen planning, development agreements and letting successes across several of our strategic employment sites. We obtained detailed planning and exchanged a development agreement for the International Advanced Manufacturing Park (IAMP) in Sunderland, with the first phase of infrastructure planned for 2019 and are already in detailed discussions with several potential occupiers. We have commenced construction of 83,000 sq ft of speculative industrial space at Butterfields Business Park in Luton. Following planning permission and confirmation of further infrastructure grant funding at Airport Business Park in Southend, we expect the first design and build unit, of 123,000 sq ft for Ipeco, to commence in 2019. We have also completed the acquisition of 18 acres at Preston and entered into development agreements at Wakefield, Taunton and Enfield to deliver further industrial/logistics schemes. The strategic employment sites in Nottingham (car dealership use included) and Walsall are also making good progress and we should be developing units by late 2020/2021.

Our residential opportunities are progressing well. “Kampus” in Manchester, a £220m forward funded 533 build-to-rent apartment scheme, is on track to complete in 2020. We submitted a planning application late in 2018 for a 123-apartment scheme with Stonebridge Homes at our site in York and we hope to commence development in late 2019/2020. We also expect to start construction work on 27 apartments on the upper floors of Equitable House in central Manchester following the sale of the ground floor retail units in 2018.

At Wyvern Park, Skipton, we obtained planning consent to commence infrastructure work in 2019 which should result in us securing residential and employment land receipts in 2020. Elsewhere, we completed bespoke industrial units, for the 11th consecutive year, totalling 108,000 sq ft at Markham Vale and are already contracted to deliver a further 110,000 sq ft in 2019.

Finally, The Event Complex Aberdeen remains within cost budget and on time to open in summer 2019. The exciting £333m development, in partnership with Aberdeen City Council, will create 48,000 square metres of multi-purpose event space, conference and exhibition halls, a stunning 12,500 seat arena, spacious hospitality boxes, a premium restaurant and 350 hotel beds.

Housebuilding

Our jointly owned housebuilder, Stonebridge Homes, performed well in 2018, achieving 145 sales (2017: 79 sales) and carried over 15 reservations into 2019. We expect to be selling from six to eight sites with planning permission to deliver our 2019 targets largely in the buoyant market areas north and east of Leeds. We have also invested further in our management teams to support the anticipated growth in the business.

Our land bank with secured permission now stands at 379 units (2017: 320 units) and longer term secured sites, subject to obtaining planning permission, equate to 489 units (2017: 560 units). We are actively looking to grow this opportunity portfolio, with the longer term aim of building Stonebridge Homes into a multi-region mid-tier housebuilder.

Construction

Henry Boot Construction delivered £71m of construction activity in 2018 and started 2019 with a very strong order book. In recent years we have exceeded targeted profit levels by maintaining a good blend of both private and public-sector clients across a wide range of building and civil engineering sectors. This provides a solid base to manage the risk of any short-term uncertainty associated with the UK’s departure from the EU. Repeat business continues to underpin our success and is an indication of our excellent performance and delivery of value for our clients.

In the commercial sector, Phase 1 of the Barnsley town centre redevelopment scheme, The Glass Works, is now nearing completion and we have commenced design and remediation works on the first part of Phase 2, an £88m commercial and retail offering.

The civil engineering sector continues to provide good opportunities. We completed the infrastructure and roads project at the Advanced Manufacturing Park for the University of Sheffield and work for Extra MSA at Skelton Lake in Leeds is also progressing well. There has been an increase in housing opportunities and we are now part of a preferred consortium aiming to build out a major PRS residential scheme in Sheffield.

We completed several projects within the educational sector in 2018; the Aerothermal Technology Building for Loughborough University, concourse Public Realm works for the University of Sheffield, the School of Earth and Environment expansion at the University of Leeds and the Spine Public Realm scheme for Lancaster University. We also continue to deliver the Sports Development Centre for the University of Hull, the Royce Discovery Centre for the University of Sheffield and Brookfield Campus for the University of Leicester. We also successfully secured a place on the Leeds Local Education Partnership.

Further places have been secured on the Pagabo public and private sector framework and the Procure North West framework. Several schemes have also been secured through the Ministry of Justice refurbishment framework. Through the YORbuild 2 framework, we have completed structural works to six tower blocks for Leeds City Council. In the healthcare sector, we continue to be a framework delivery partner for the Sheffield Teaching Hospitals NHS Foundation Trust.

Plant Hire

Banner Plant traded broadly in line with expectations. Depots in the North traded well and we benefited from strong sale values for fully depreciated asset disposals. These benefits were offset by weaker activity in the Midlands-based depots and management changes have been implemented to bring new focus here. We continue to invest in the fleet with capital investment at 12% of asset cost, while cash inflows, helped by the strong sales values, were ahead of expectations.

Road Link

Road Link (A69) which runs the A69 between Newcastle and Carlisle under a Design, Build, Finance and Operate (DBFO) agreement, completed another successful year in line with expectations. Traffic volumes were slightly up on 2017 and, despite some days of heavy snow in the early part of 2018, the road remained open throughout the year. The contract has seven years to run and remains on course to operate to plan until the hand-back to Highways England is effected at that time.

John Sutcliffe
Chief Executive Officer

FINANCIAL REVIEW

Summary financial performance

	2018 £'m	2017 £'m	Change %
Total revenue			
Property investment and development	**221.6**	250.4	-12
Land promotion	**74.8**	76.2	-2
Construction	**100.7**	81.9	+23
	397.1	408.5	-3
Operating profit/(loss)			
Property investment and development	**20.1**	30.4	-34
Land promotion	**27.9**	23.2	+20
Construction	**8.9**	9.6	-7
Group overheads	**(7.7)**	(7.0)	-10
	49.2	56.2	-12
Net finance cost	**(1.4)**	(1.5)	+7
Share profit of joint ventures and associates	**0.8**	0.7	+14
Profit for the year	**48.6**	55.4	-12

The Group has once again delivered strong results with good cash generation and a notable reduction in net debt. The continued delivery of The Event Complex Aberdeen, our Markham Vale scheme in Derbyshire and a growing contribution from residential house sales by Stonebridge Homes underpinned our performance for the year. The continued strength of the UK residential housing market meant that UK housebuilder appetite for good quality residential development land remained high as they replenish their stocks, delivering a 20% profit increase within our land promotion segment. Property investment and development has, however, been impacted by the current market uncertainty along with protracted planning negotiations during the year, albeit the prior year did benefit from strong residential sales at the former Terry's Chocolate Factory which made a significant contribution to that year's results.

We continue to take a long-term strategic approach to land promotion and property development while at the same time focusing on the delivery of the existing pipeline which should deliver good results for the years ahead. While negotiations between the UK and the EU continue to drive uncertainty within our markets, which lead to commencement delays in projects and developments, we enter 2019 with a significant amount of property development work in progress, several land sales already exchanged awaiting completion and a strong order book within our construction business.

Consolidated Statement of Comprehensive Income

Revenue decreased 3% to £397.1m (2017: £408.5m) resulting from lower activity within the property investment and development segment arising from work which will now commence in 2019, offset by an increased level of activity within Construction as we continued the delivery of The Glass Works, a £35m town centre redevelopment scheme for Barnsley Metropolitan Borough Council. Gross profit decreased 10% to £78.0m (2017: £86.7m) and reflects a gross profit margin of 20% (2017: 21%). Administrative expenses increased by £1.4m (2017: £4.7m), resulting from the continued expansion of Stonebridge Homes and a modest level of wage inflation linked to employee retention.

During the year, the High Court issued its judgement relating to the Guaranteed Minimum Pension equalisation case with Lloyds Bank plc. This resulted in increased obligations for defined benefit pension schemes which are to be recognised as a past service cost. Accordingly, pension expenses increased by £1.6m (2017: £0.6m) to include a one-off provision of £1.5m relating to Guaranteed Minimum Pensions, along with a general increase due to rising employee numbers. Without this one-off provision, Group overheads would have fallen during the year helped by reduced employee bonus provisioning.

Property revaluation losses of £0.1m (2017: £3.6m) were the net effect of uplifts of £2.9m (2017: £5.2m) in the fair value of certain existing completed investment properties, largely in the industrial and mixed-use categories, offset by the recognition of valuation deficits of £3.0m (2017: £8.8m) on a number of other properties, most notably retail assets.

Overall, operating profits decreased by 12% to £49.2m (2017: £56.2m) and, after adjusting for net finance costs and our share of profits from joint ventures and associates, we delivered a profit before tax of £48.6m (2017: £55.4m).

The segmental result analysis shows that property investment and development produced a reduced operating profit of £20.1m (2017: £30.4m) arising from continued activity on The Event Complex Aberdeen and contributions from our Markham Vale industrial development. Land promotion operating profit increased 20% to £27.9m (2017: £23.2m) as we disposed of 3,573 residential plots during the year (2017: 2,169). Construction segment operating profits decreased slightly to £8.9m (2017: £9.6m) after Plant Hire and Road Link performed in line with expectation but Construction returns were impacted by pre-commencement works, on several potential future schemes, on which the company only recovers costs. The nature of deal-driven property and land promotion businesses, dependent upon demand from the major UK housebuilders and reliant on the UK planning regime, is demonstrated in the movements within our mix of business streams. We continue to show how the benefits of a broad-based operating model brings stability in what are highly fluid business environments. While we maintain a significant pipeline of property development and consented residential plots, the variable timing of the completion of deals in these areas does give rise to financial results which can vary significantly depending upon when contracts are ultimately concluded. We mitigate this through the blend of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £8.2m (effective rate of tax: 17%) (2017: £9.8m and effective rate: 18%) and is lower than the standard rate due to a prior year adjustment relating to non-taxable capital gains. We currently have a £3.5m unrecognised deferred tax asset (2017: £3.2m) which can be utilised to offset future capital gains if they arise. Current taxation on profit for the year was £8.1m (2017: £9.7m), with the 2018 charge being lower than the standard rate of corporation tax due to the previously mentioned prior year adjustment. Deferred tax was £0.1m (2017: £0.1m).

Earnings per share and dividends

Basic earnings per share decreased in line with profits to 28.3p (2017: 32.1p), however, total dividend for the year increased by 13% to 9.00p (2017: 8.00p), with the proposed final dividend increasing by 12% to 5.80p (2017: 5.20p), payable on 29 May 2019 to shareholders on the register as at 26 April 2019. The ex-dividend date is 25 April 2019.

Return on capital employed ('ROCE')

Slightly lower operating profit in the year saw a reduced ROCE(1) of 14.9% in 2018 (2017: 18.6%), the prior year benefited from the impressive result within property development that year. While we continue to review our strategic target rate of return, we continue to believe that a target return of 12%-15% is appropriate for our current operating model. We will continue to monitor this important performance measure over the business cycle, given the potential for market conditions to change quickly.

(1) ROCE is calculated as operating profit divided by total assets less current liabilities.

Finance and gearing

Net finance costs reduced slightly to £1.4m (2017: £1.5m). We saw a reduction in our net debt levels throughout 2018 as we collected several deferred land sale receipts and concluded the disposal of our retail investment at St Anne's Square in Manchester. Average borrowing rates were slightly higher than the previous year due to the increase in the base rate from 0.50% to 0.75% in the year. We anticipate that interest costs will rise through 2019 from increased borrowings to support higher levels of development activity. We also expect to see slight rises in interest rates during 2019, although this will not result in a material change to our borrowing costs. We continue to invest in both our land and property development assets, as we recycle capital into future opportunities and development activity.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties and disposal profits) to net interest (excluding interest received on other loans and receivables), was 33 times (2017: 38 times). No interest incurred in either year has been capitalised into the cost of assets.

Our completed investment property portfolio has decreased to £118m (2017: £127m) against which we secure bank funding to allow us to undertake property development and land promotion, neither of which is readily funded using traditional low-cost bank debt. Our investment property assets continue to provide the key covenant support for our banking facilities. Our agreed facilities remained at £72m throughout the year and have a renewal date in February 2020. Initial conversations have been undertaken with several banks regarding the renewal in 2020 and feedback suggests that there is a good level of interest in tendering for the facilities during 2019 either as a sole provider or under a syndicated arrangement.

The 2018 year-end net debt fell to £18.4m (2017: £29.0m) resulting in gearing, on net assets of £302.3m, falling to a very conservative 6% (2017: net assets £270.1m; gearing 11%). Total year-end net debt includes £3.6m (2017: £6.1m) of Homes and Communities Agency ('HCA') 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. Throughout the year we operated comfortably within the facility covenants and continue to do so.

Cash flow summary

	2018 £'m	2017 £'m
Operating profit	**49.2**	56.2
Depreciation and other non-cash items	**4.8**	8.5
Net movement on equipment held for hire	**(3.3)**	(2.6)
Movement in working capital	**(28.4)**	(15.8)
Cash generated from operations	**22.3**	46.3
Acquisition of subsidiary	**—**	(2.7)
Net capital disposals/(expenditure)	**13.4**	(17.6)
Net interest and tax	**(11.3)**	(9.5)
Dividends	**(13.6)**	(12.0)
Other	**(0.2)**	(0.6)
Reduction in net debt	**10.6**	3.9
Net debt brought forward	**(29.0)**	(32.9)
Net debt carried forward	**(18.4)**	(29.0)

During 2018, cash generated from operations amounted to £22.3m (2017: £46.3m) after net investment in equipment held for hire of £3.3m (2017: £2.6m) and, after a net investment in working capital of £28.4m (2017: £15.8m). Our investment in working capital arises from the continued growth in our land portfolio and higher levels of contracting activity.

Net capital disposals of £13.4m (2017: expenditure £17.6m) arose from sales of investment property and property, plant and equipment of £20.1m (2017: £11.1m), which were offset by new investment in property development and plant hire assets of £6.7m (2017: £28.7m).

Dividends paid, including those to non-controlling interests, totalled £13.6m (2017: £12.0m), with those paid to equity shareholders of £11.1m (2017: £9.6m) increasing by 16%.

After net interest and tax of £11.2m (2017: £9.5m), the overall reduction in net debt was £10.6m (2017: £3.9m), resulting in net debt of £18.4m (2017: £29.0m).

Statement of financial position summary

	2018 £'m	2017 £'m
Investment properties and assets classified as held for sale	**121.0**	134.8
Intangible assets	**5.1**	5.4
Property, plant and equipment	**26.2**	26.5
Investment in joint ventures	**6.7**	5.9
	159.0	172.6
Inventories	**155.0**	144.6
Receivables	**114.9**	96.1
Payables	**(95.0)**	(96.0)
Other	**3.5**	4.6
Net operating assets	**337.4**	321.9
Net debt	**(18.4)**	(29.0)
Retirement benefit obligations	**(16.7)**	(22.8)
Net assets	**302.3**	270.1

Investment properties and assets classified as held for sale reduced in value to £121.0m (2017: £134.8m), largely following the disposal of our retail investment at St Anne's Square in Manchester, whilst retaining the upper floors for future residential development.

Intangible assets reflect the Group's investment in Road Link (A69) of £4.2m (2017: £4.5m) and goodwill of £0.9m (2017: £0.9). The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to Highways England at the end of the concession period in 2026.

Property, plant and equipment comprises Group occupied buildings valued at £7.9m (2017: £8.1m) and plant, equipment and vehicles with a net book value of £18.3m (2017: £18.4m), broadly unchanged as new additions of £5.8m (2017: £10.3m) were offset by the depreciation charge for the year.

Investments in joint ventures and associates increased to £6.7m (2017: £5.9m) as we continue to invest in property development projects with other parties where we feel there is a mutual benefit. We anticipate that these opportunities will continue to increase as we finalise a number of schemes with interested parties partnering with us to utilise our development expertise.

Inventories were £155.0m (2017: £144.6m) and saw an increase in the land portfolio to £107.9m (2017: £101.7m) as we continue to invest in owned land, option or agency agreements. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal. Property development work in progress increased to £47.1m (2017: £42.9m) as we invest in our housebuilder operation, and commercial development work in progress.

Receivables increased to £114.9m (2017: £96.1m) due to increased deferred land sales and construction contract receivables. We anticipate that these deferred payment receivables will now stabilise, but it remains a function of the number and size of strategic land development schemes sold.

Payables reduced to £95.0m (2017: £96.0m) with trade and other payables, contract liabilities and provisions broadly in line with the prior year and current tax liabilities reducing to £3.9m (2017: £5.8m).

Net debt included cash and cash equivalents of £10.9m (2017: £10.3m), once again a result of cash received in December not able to be offset against short-term borrowings of £29.3m (2017: £39.3m). In total, net debt reduced to £18.4m (2017: £29.0m).

At 31 December 2018, the IAS 19 pension deficit relating to retirement benefit obligations was £16.7m, compared with £22.8m at 31 December 2017, helped by an increase in the discount rate applied to future liabilities to 2.8% (2017: 2.5%). The pension scheme's assets continue to be invested globally, with high quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks; they then make changes, as the Trustee considers appropriate, in conjunction with investment advice from KPMG.

Overall, the net assets of the Group increased by 12% to £302.3m (2017: £270.1m) from retained profits and the reduction in retirement benefit obligations less distributions to shareholders. Net asset value per share increased 12% to 227p (2017: 203p) as we continue to increase the scale of our operations and portfolio of opportunities through retained earnings.

Darren Littlewood
Group Finance Director

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	2018 £'000	2017 £'000
Revenue	**397,052**	408,486
Cost of sales	**(319,052)**	(321,758)
Gross profit	**78,000**	86,728
Administrative expenses	**(24,065)**	(22,636)
Pension expenses	**(5,975)**	(4,336)
	47,960	59,756
Decrease in fair value of investment properties	**(92)**	(3,597)
Profit on sale of investment properties	**1,365**	137
Loss on sale of assets held for sale	**(36)**	(98)
Operating profit	**49,197**	56,198
Finance income	**275**	189
Finance costs	**(1,698)**	(1,703)
Share of profit of joint ventures and associates	**830**	708
Profit before tax	**48,604**	55,392
Tax	**(8,229)**	(9,817)
Profit for the year from continuing operations	**40,375**	45,575
Other comprehensive (income)/expense not being reclassified to profit or loss in subsequent years:		
Revaluation of Group occupied property	**(153)**	(379)
Deferred tax on property revaluations	**—**	50
Actuarial gain on defined benefit pension scheme	**6,199**	2,306
Deferred tax on actuarial gain	**(1,054)**	(391)
Total other comprehensive income not being reclassified to profit or loss in subsequent years	**4,992**	1,586
Total comprehensive income for the year	**45,367**	47,161
Profit for the year attributable to:		
Owners of the Parent Company	**37,505**	42,368
Non-controlling interests	**2,870**	3,207
	40,375	45,575
Total comprehensive income attributable to:		
Owners of the Parent Company	**42,497**	43,954
Non-controlling interests	**2,870**	3,207
	45,367	47,161
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**28.3p**	32.1p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**28.0p**	31.8p

UNAUDITED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	2018 £'000	2017 (As restated) £'000
ASSETS		
Non-current assets		
Intangible assets	**5,077**	5,361
Property, plant and equipment	**26,161**	26,485
Investment properties	**120,975**	132,777
Investment in joint ventures	**6,686**	5,856
Trade and other receivables	**11,915**	2,906
Deferred tax assets	**3,487**	4,613
	174,301	177,998
Current assets		
Inventories	**154,980**	144,603
Contract assets	**42,772**	30,932
Trade and other receivables	**60,225**	62,244
Cash and cash equivalents	**10,856**	10,282
	268,833	248,061
Assets classified as held for sale	**—**	2,000
	268,833	250,061
LIABILITIES		
Current liabilities		
Trade and other payables	**77,475**	76,204
Contract liabilities	**2,794**	3,225
Current tax liabilities	**3,897**	5,794
Borrowings	**24,119**	34,340
Provisions	**5,724**	5,602
	114,009	125,165
NET CURRENT ASSETS	**154,824**	124,896
Non-current liabilities		
Trade and other payables	**2,792**	2,684
Borrowings	**5,096**	4,922
Retirement benefit obligations	**16,710**	22,825
Provisions	**2,215**	2,387
	26,813	32,818
NET ASSETS	**302,312**	270,076
EQUITY		
Share capital	**13,715**	13,701
Property revaluation reserve	**3,397**	3,550
Retained earnings	**276,999**	245,260
Other reserves	**6,347**	6,121
Cost of shares held by ESOP trust	**(1,260)**	(1,240)
Equity attributable to owners of the Parent Company	**299,198**	267,392
Non-controlling interests	**3,114**	2,684
TOTAL EQUITY	**302,312**	270,076

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

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
	Attributable to owners of the Parent Company							
At 31 December 2016	13,608	3,879	210,664	4,611	(1,071)	231,691	1,861	233,552
Profit for the year	—	—	42,368	—	—	42,368	3,207	45,575
Other comprehensive income	—	(329)	1,915	—	—	1,586	—	1,586
Total comprehensive income	—	(329)	44,283	—	—	43,954	3,207	47,161
Equity dividends	—	—	(9,628)	—	—	(9,628)	(2,384)	(12,012)
Proceeds from shares issued	93	—	—	1,510	—	1,603	—	1,603
Purchase of treasury shares	—	—	—	—	(782)	(782)	—	(782)
Share-based payments	—	—	(59)	—	613	554	—	554
	93	—	(9,687)	1,510	(169)	(8,253)	(2,384)	(10,637)
At 31 December 2017	13,701	3,550	245,260	6,121	(1,240)	267,392	2,684	270,076
Profit for the year	**—**	**—**	**37,505**	**—**	**—**	**37,505**	**2,870**	**40,375**
Other comprehensive income	**—**	**(153)**	**5,145**	**—**	**—**	**4,992**	**—**	**4,992**
Total comprehensive income	**—**	**(153)**	**42,650**	**—**	**—**	**42,497**	**2,870**	**45,367**
Equity dividends	**—**	**—**	**(11,161)**	**—**	**—**	**(11,161)**	**(2,440)**	**(13,601)**
Proceeds from shares issued	**14**	**—**	**—**	**226**	**—**	**240**	**—**	**240**
Purchase of treasury shares	**—**	**—**	**—**	**—**	**(429)**	**(429)**	**—**	**(429)**
Share-based payments	**—**	**—**	**250**	**—**	**409**	**659**	**—**	**659**
	14	**—**	**(10,911)**	**226**	**(20)**	**(10,691)**	**(2,440)**	**(13,131)**
At 31 December 2018	**13,715**	**3,397**	**276,999**	**6,347**	**(1,260)**	**299,198**	**3,114**	**302,312**

UNAUDITED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

		2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations		**22,276**	46,338
Interest paid		**(1,434)**	(1,463)
Tax paid		**(10,054)**	(8,620)
Net cash flows from operating activities		**10,788**	36,255
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**—**	(2,711)
Purchase of intangible assets		**(417)**	(622)
Purchase of property, plant and equipment		**(1,464)**	(3,906)
Purchase of investment property		**(4,906)**	(24,081)
Proceeds on disposal of property, plant and equipment		**265**	137
Proceeds on disposal of investment properties		**17,881**	2,778
Proceeds on disposal of assets held for sale		**2,000**	8,141
Interest received		**265**	544
Net cash flows from investing activities		**13,624**	(19,720)
Cash flows from financing activities			
Proceeds from shares issued		**239**	1,603
Purchase of treasury shares		**(429)**	(782)
Decrease in borrowings		**(46,113)**	(49,965)
Increase in borrowings		**36,066**	47,514
Dividends paid	– ordinary shares	**(11,140)**	(9,607)
	– non-controlling interests	**(2,440)**	(2,384)
	– preference shares	**(21)**	(21)
Net cash flows from financing activities		**(23,838)**	(13,642)
Net increase in cash and cash equivalents		**574**	2,893
Net cash and cash equivalents at beginning of year		**10,282**	7,389
Net cash and cash equivalents at end of year		**10,856**	10,282
Analysis of net debt:			
Cash and cash equivalents		**10,856**	10,282
Bank overdrafts		**—**	—
Net cash and cash equivalents		**10,856**	10,282
Bank loans		**(22,422)**	(30,599)
Finance leases		**(3,220)**	(2,544)
Government loans		**(3,573)**	(6,119)
Net debt		**(18,359)**	(28,980)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

1. Basis of preparation

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

Change in accounting policies

The same accounting policies and methods of computation are followed as in the latest published audited accounts for the year ended 31 December 2017, which are available on the Group's website at www.henryboot.co.uk, with the exception of policies for Revenue and Financial Instruments. These policies have been updated following the implementation of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. Further details can be found in the section below.

The following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2018:

		Effective from
IFRIC 22 (amended 2016)	'Foreign Currency Transactions and Advance Consideration'	1 January 2018
IAS 40 (amended 2016)	'Transfers of Investment Property'	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 15 (issued 2014)	'Revenue from Contracts with Customers'	1 January 2018
IFRS 15 (amended 2016)	'Revenue from Contracts with Customers'	1 January 2018
IFRS 9 (issued 2014)	'Financial Instruments'	1 January 2018

Adoption of the following standards is significant to the Group.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 was issued by the IASB in May 2014 and became effective for accounting periods on or after 1 January 2018. The standard outlines the principles entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer. IFRS 15 introduces a five-step approach to revenue recognition and far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', and this is presented as such in the statement of financial position.

In accordance with the transition provisions in IFRS 15 the new rules have been adopted under the full retrospective approach and apart from providing more extensive disclosure on the Group's revenue transactions, did not result in a material adjustment to the opening balance sheet except to separate contract assets and liabilities out of trade debtors and creditors respectively. While no material adjustment is required to opening reserves, the standard may affect future transactions including: the separation of performance obligations and contract modifications on construction contracts, the inclusion of revenue on part exchange house disposals, repurchase agreements to be accounted for as financing arrangements and the advanced recognition of contingent consideration (including overage receipts on the Group's land promotion activities). The new standard has resulted in a change to the Group's accounting policy for revenue which has been applied to transactions from 1 January 2017.

IFRS 9 'Financial Instruments'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

The classification and measurement of financial liabilities and derivative instruments remains unchanged from IAS 39. Under IFRS 9, a financial asset is now classified on initial recognition as measured at: amortised cost; fair value through other comprehensive income ('FVOCI') – debt investment; FVOCI – equity investment; or fair value through profit or loss ('FVTPL'). Applying this classification to the Group's financial assets does not result in changes to the accounting: trade receivables and cash and cash equivalents continue to be recognised at amortised cost and certain other non-current financial assets continue to be recognised at FVTPL.

In respect of accounting for trade and other receivables, the Group has applied IFRS 9's simplified approach to provisioning and has calculated this using lifetime expected losses. This calculation has had no material impact on the financial statements.
The Group did not early adopt any standard or interpretation not yet mandatory.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As part of our normal facility renewal process, conversations have been undertaken with several banks regarding the renewal in February 2020 and initial feedback suggests that there is a good level of interest from the banks in tendering for the facilities during 2019 either as a sole provider or under a syndicated arrangement. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the Financial Statements.

These results for the year ended 31 December 2018 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 2018 or 31 December 2017 as defined by Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2017 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 2018 will be finalised on the basis of the financial information presented by the Directors in these 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 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 sales to a single external customer amounting to 36.1% (2017: 29.7%) of the Group's total revenue. This related to a single high value contract which commenced in 2016 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.

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.

	2018					
Revenue	**Property Investment and Development £'000**	**Land Promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	**221,546**	**74,808**	**100,698**	—	—	**397,052**
Inter-segment sales	**325**	—	**2,229**	**647**	**(3,201)**	—
Total revenue	**221,871**	**74,808**	**102,927**	**647**	**(3,201)**	**397,052**
Operating profit/(loss)	**20,114**	**27,935**	**8,932**	**(7,784)**	—	**49,197**
Finance income	**1,112**	**1,679**	**867**	**18,206**	**(21,589)**	**275**
Finance costs	**(6,149)**	**(1,103)**	**(556)**	**(2,679)**	**8,789**	**(1,698)**
Share of profit of joint ventures and associates	**830**	—	—	—	—	**830**
Profit/(loss) before tax	**15,907**	**28,511**	**9,243**	**7,743**	**(12,800)**	**48,604**
Tax	**(2,047)**	**(5,285)**	**(1,836)**	**939**	—	**(8,229)**
Profit/(loss) for the year	**13,860**	**23,226**	**7,407**	**8,682**	**(12,800)**	**40,375**

Revenue	2017 Property Investment and Development £'000	Land Promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	250,418	76,192	81,876	—	—	408,486
Inter-segment sales	324	—	7,417	646	(8,387)	—
Total revenue	250,742	76,192	89,293	646	(8,387)	408,486
Operating profit/(loss)	30,419	23,169	9,613	(7,003)	—	56,198
Finance income	1,041	1,472	900	17,953	(21,177)	189
Finance costs	(5,950)	(1,567)	(549)	(2,757)	9,120	(1,703)
Share of profit of joint ventures	708	—	—	—	—	708
Profit/(loss) before tax	26,218	23,074	9,964	8,193	(12,057)	55,392
Tax	(5,512)	(4,409)	(1,853)	1,957	—	(9,817)
Profit/(loss) for the year	20,706	18,665	8,111	10,150	(12,057)	45,575

	2018 £'000	2017 £'000
Segment assets		
Property Investment and Development	**238,809**	233,253
Land Promotion	**152,573**	140,379
Construction	**34,637**	36,385
Group overheads	**2,772**	3,147
	428,791	413,164
Unallocated assets		
Deferred tax assets	**3,487**	4,613
Cash and cash equivalents	**10,856**	10,282
Total assets	**443,134**	428,059
Segment liabilities		
Property Investment and Development	**31,300**	28,847
Land Promotion	**31,974**	28,146
Construction	**25,553**	29,750
Group overheads	**2,173**	3,359
	91,000	90,102
Unallocated liabilities		
Current tax liabilities	**3,897**	5,794
Current borrowings	**24,119**	34,340
Non-current borrowings	**5,096**	4,922
Retirement benefit obligations	**16,710**	22,825
Total liabilities	**140,822**	157,983
Total net assets	**302,312**	270,076

3. Dividends

	2018 £'000	2017 £'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 2017 of 5.20p per share (2016: 4.50p)	**6,895**	5,917
Interim dividend for the year ended 31 December 2018 of 3.20p per share (2017: 2.80p)	**4,245**	3,690
	11,161	9,628

The proposed final dividend for the year ended 31 December 2018 of 5.80p per share (2017: 5.20p) makes a total dividend for the year of 9.00p (2017: 8.00p).

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 £7,824,000.

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.

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:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2018** **£'000**	2017 £'000	**Increase/ (decrease) in year**
Completed investment property						
Industrial	—	—	26,400	**26,400**	23,075	**3,325**
Leisure	—	—	10,777	**10,777**	11,460	**(683)**
Mixed-use	—	—	53,418	**53,418**	52,355	**1,063**
Residential	—	—	3,286	**3,286**	3,600	**(314)**
Office	—	—	13,200	**13,200**	12,900	**300**
Retail	—	—	10,479	**10,479**	23,214	**(12,735)**
	—	—	117,560	**117,560**	126,604	**(9,044)**
Investment property under construction						
Industrial	—	—	271	**271**	299	**(28)**
Land	—	—	714	**714**	1,214	**(500)**
Retail	—	—	2,430	**2,430**	4,660	**(2,230)**
	—	—	3,415	**3,415**	6,173	**(2,758)**
Total fair value	—	—	120,975	**120,975**	132,777	**(11,802)**

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.

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.

5. Share capital

	2018 £'000	2017 £'000
400,000 5.25% cumulative preference shares of £1 each (2017: 400,000)	**400**	400
133,146,602 ordinary shares of 10p each (2017: 133,010,911)	**13,315**	13,301
	13,715	13,701

6. Cash generated from operations

	2018 £'000	2017 £'000
Profit before tax	**48,604**	55,392
Adjustments for:		
Amortisation of PFI asset	**497**	870
Goodwill impairment	**204**	204
Depreciation of property, plant and equipment	**5,370**	4,899
Impairment gain on land and buildings	**—**	48
Revaluation decrease in investment properties	**92**	3,597
Amortisation of capitalised letting fees	**100**	48
Share-based payment expense	**659**	554
Pension scheme credit	**84**	(1,265)
Gain on disposal of property, plant and equipment	**(891)**	(380)
Gain on disposal of investment properties	**(1,365)**	(127)
Gain on disposal of assets held for sale	**—**	98
Finance income	**(275)**	(189)
Finance costs	**1,698**	1,703
Share of profit of joint ventures and associates	**(830)**	(708)
Operating cash flows before movements in equipment held for hire	**53,947**	64,744
Purchase of equipment held for hire	**(4,357)**	(3,283)
Proceeds on disposal of equipment held for hire	**1,048**	654
Operating cash flows before movements in working capital	**50,638**	62,115
Increase in inventories	**(10,177)**	(6,500)
Increase in receivables	**(6,980)**	(9,681)
Increase in contract assets	**(11,840)**	(13,294)
Increase in payables	**1,066**	15,099
Decrease in contract liabilities	**(431)**	(1,401)
Cash generated from operations	**22,276**	46,338

7. These results were approved by the Board of Directors and authorised for issue on 21 March 2019.

8. The 2018 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 18 April 2019. Copies will be available from The Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield, S11 9PD.

9. The Annual General Meeting of the Company is to be held at the DoubleTree by Hilton Sheffield Park, Chesterfield Road South, Sheffield, S8 8BW on Thursday 23 May 2019, commencing at 12.30pm.