HENRY BOOT PLC
ANNUAL REPORT AND
FINANCIAL STATEMENTS 2008

120 YEARS IN PROPERTY AND CONSTRUCTION

THE HENRY BOOT GROUP OPERATES IN THE UK PROPERTY AND CONSTRUCTION SECTORS.

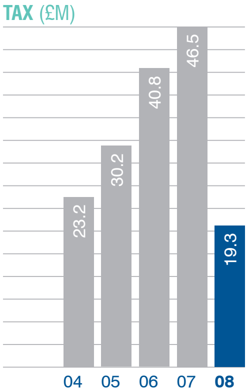
Our key objective is to maximise long-term shareholder value through construction and plant hire activities, the development of and investment in high quality property assets and the promotion of new land development opportunities.

Cover image:
Part of Gleadless Valley, Sheffield, where Henry Boot Construction (UK) Limited is carrying out the largest 'Decent Homes' programme in the country.

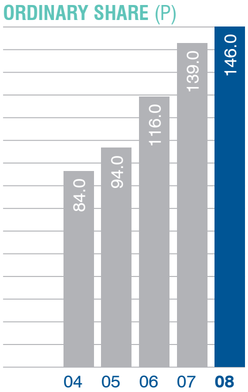
2008 HIGHLIGHTS

- **Trading profits increased by 53% to £44.0m** (2007: £28.8m)
- **Property impairments and revaluation deficit of £22.4m** (2007: surplus £18.1m)
- **Profit before tax reduced by 59% to £19.3m** (2007: £46.5m)
- **Earnings per share 10.8p** (2007: 24.5p)
- **Maintained final dividend proposed of 3.75p, giving a total for the year of 5.0p** (2007: 5.0p)
- **Net asset value per share increased by 5% to 146p** (2007: 139p)
- **Debt reduced to £49.3m** (2007: £70.9m)
- **Gearing reduced to 26%** (2007: 39%)

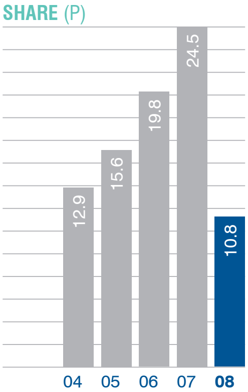
GROUP PROFIT BEFORE TAX (£M)



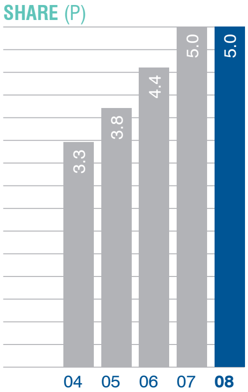
NET ASSET VALUE PER ORDINARY SHARE (P)



EARNINGS PER ORDINARY SHARE (P)



DIVIDENDS PER ORDINARY SHARE (P)



The Sheffield-based Henry Boot Group is one of the UK's leading property and construction organisations, with its four principal trading subsidiary companies operating in the property development and investment, land management, construction and plant hire sectors.

The Group's main objective is to maximise shareholder value in the longer-term through active commercial development and land management, allied to recurring income from investment property, PFI, construction and plant hire activities.

Each Group company is managed autonomously and has set objectives to maximise short-term profits and create valuable long-term asset backed opportunities in the property sector.

PROPERTY

Henry Boot DEVELOPMENTS

HENRY BOOT DEVELOPMENTS LIMITED

Henry Boot Developments is a major force in the UK property development market, operating nationally from its head office in Sheffield and regional offices in Bristol, Glasgow, London and Manchester.

With its considerable experience and impressive reputation in all sectors of property development, the Company has built up a substantial investment portfolio in recent years. At the same time, many schemes have been sold-on to financial institutions looking to add to their own quality portfolio.

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www.henrybootdevelopments.co.uk

Managing Director:
David Anderson

Regional Offices:
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South West – Bristol t: 01454 275261
North West – Manchester t: 0161 830 8000
North East – Sheffield t: 0114 255 5444
Scotland – Glasgow t: 0141 223 9090

LAND

Hallam Land Management

HALLAM LAND MANAGEMENT LIMITED

Hallam Land Management is the strategic land and planning promotion arm of the Henry Boot Group of Companies. The Company's key role is to promote and deliver land opportunities through the complexities of the UK Town and Country Planning System.

Experienced land and planning promotion teams cover the UK, operating from regional offices in Bristol, Glasgow, London and Northampton, as well as from the Sheffield head office.

Head Office:
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Managing Director:
Bob Brown

Regional Offices:
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South West – Bristol t: 01454 625532
South Midlands – Northampton t: 01604 646588
North East – Sheffield t: 0114 255 5444
North West – Sheffield t: 0114 255 5444
Scotland – Glasgow t: 01698 464320

CONSTRUCTION

Henry Boot CONSTRUCTION

HENRY BOOT CONSTRUCTION (UK) LIMITED

Henry Boot Construction specialises in serving the needs of commerce and industry in the North of England from its operational centres in Dronfield, Sheffield and Manchester, and enjoys an enviable reputation for the delivery of high quality construction work, on-time and within agreed cost parameters.

These performance targets are embodied in the added value approach applied to all forms of contracts, which include negotiated, design-build, partnered and traditional tender work.

Head Office:
Dronfield, Derbyshire S18 6XS
t: 01246 410111
e: hbcuk@henryboot.co.uk
www.henrybootconstruction.co.uk

Managing Director:
Mick Mosley

Regional Offices:
North East – Dronfield t: 01246 410111
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Road Link (A69) Limited, a 61% owned subsidiary, with two other shareholders holding the remaining 39%, operates and maintains the A69 Newcastle-Carlisle trunk road for the Highways Agency under a PFI contract. The contract was initially for 30 years and has 17 years still to run.

Head Office:
Stocksfield, Northumberland NE43 7TN
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e: a69@roadlink.freeserve.co.uk

Chairman:
Douglas Greaves

PLANT

Banner PLANT

BANNER PLANT LIMITED

Banner Plant is a long established plant hire company offering a wide range of products and services for sale and hire. The Company's head office is in Dronfield, Derbyshire, with hire centres located in Dronfield, Chesterfield, Derby, Leeds, Rotherham and Wakefield.

Continuing investment is made in providing new equipment, transport and service facilities to meet the increasing needs of its many varied customers in commerce, industry and the general public.

Head Office:
Dronfield, Derbyshire S18 2XS
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Managing Director:
Giles Boot

Regional Hire Centres:
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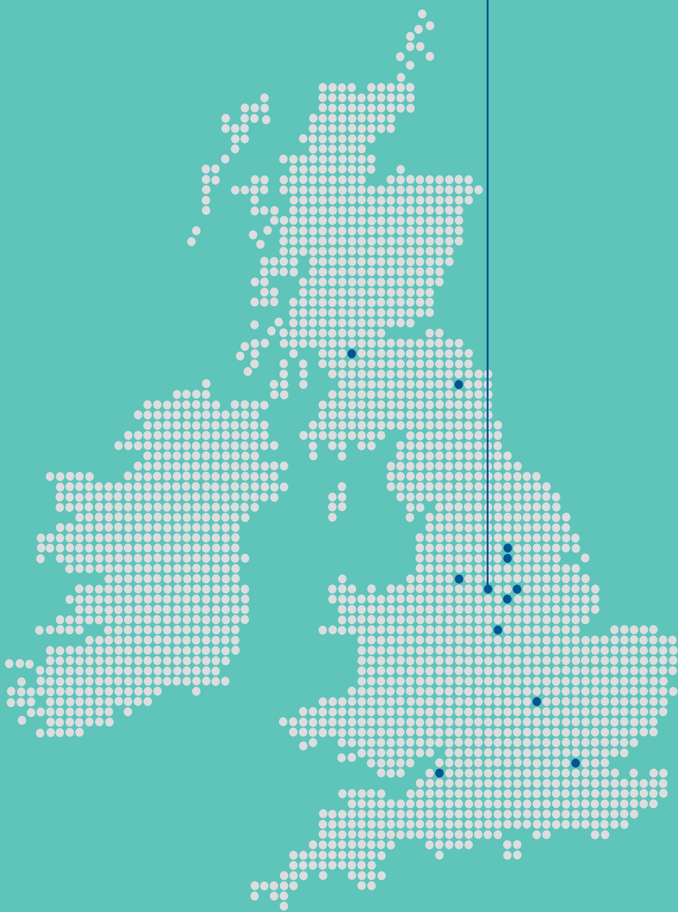
Derby t: 01332 752035/751762
Leeds t: 0113 240 6350
Rotherham t: 01709 515655/511500
Dronfield t: 01246 299400
Wakefield t: 01924 283487

OUR LOCATIONS

GROUP HEAD OFFICE
Sheffield

11 Regional locations
- Bristol
- Chesterfield
- Derby
- Glasgow
- Leeds
- London
- Manchester
- Newcastle-upon-Tyne
- Northampton
- Rotherham
- Wakefield




John Reis, Chairman

> **"Given the very difficult market conditions that have arisen in the UK property market during 2008, I am pleased to report a further set of solid results, with the exception of our investment property portfolio where we have seen falling values throughout the year."**

Given the very difficult market conditions that have arisen in the UK property market during 2008, I am pleased to report a further set of solid results, with the exception of our investment property portfolio where we have seen falling values throughout the year. The year under review saw the economic backdrop in which we operate become very difficult indeed; successive rises in interest rates through 2007 and into 2008, followed by a dramatic tightening of liquidity, have severely affected both the housing and property investment markets.

Against this backdrop we are pleased to report:

- completion of several large land sales;
- a very strong year in our construction division;
- completion of most developments in progress at the start of 2008; and
- gearing reduced by a third, with the prospect of making further reductions in 2009.

We continued to operate through our national network of offices, creating valuable long-term opportunities in land promotion and property investment and development. We recognise that it will be some time before house builders are able to replenish their land banks or that property yields make development the profitable business it had historically become. Our construction division and the investment property rentals generate a growing level of recurring income, though this will not replace the scale of the 'deal-driven' profits previously achieved by our property development and land promotion activities.

We expect to face a very difficult market for some considerable time, however, the key strategic focus of the business is:

- to protect the retained asset value we have created;
- to continue to manage debt levels down from the prudent levels currently carried;
- to continue to improve the planning position of the land and development portfolios and realise profits where possible; and
- to continue the profitable operation of our construction division.

I firmly believe that this combination of actions will allow us to manage our way constructively through this recessionary phase and in due course benefit from the recovery. Our quality development opportunities and a number of well located, consented greenfield land sites will be in demand by house builders when confidence and stability returns to the market.

RESULTS

Revenue was £193.7m (2007: £124.8m) arising from larger land transactions and strong construction division activity in the period. Gross trading profit increased by 53% to £44.0m (2007: £28.8m) after a strong contribution from land trading activities. However, profit before tax decreased by 59% to £19.3m (2007: £46.5m) as the revaluation surplus of £18.1m achieved in 2007 was reversed by a deficit of £19.6m in 2008. Of this deficit, £14.9m (2007: surplus £16.8m) arose from the revaluation of our shopping centre at Ayr. Property disposal profit of £0.5m (2007: £3.5m) was attributable to a number of small sales. Basic earnings per share decreased 56% to 10.8p (2007: 24.5p). Total net assets increased 4% to £190.1m (2007: £182.2m), representing a net asset value per share of 146p (2007: 139p). Gearing reduced by a third to 26%, with net debt of £49.3m at the year end (2007: gearing 39%, net debt £70.9m), as the cash generated from land sales was offset by the completion of the majority of our current development programme.

DIVIDENDS

The excellent trading result and strong cash generation in a difficult market allow the Directors to recommend a maintained final dividend of 3.75p per share (2007: 3.75p) which, together with the interim dividend of 1.25p per share (2007: 1.25p), gives an unchanged total dividend for the year of 5.0p (2007: 5.0p). Dividend cover has reduced due to the revaluation deficit to 2.2 times (2007: 4.9 times). The final dividend, which is subject to shareholder approval at the Annual General Meeting on 21 May 2009, will be paid on 28 May 2009 to shareholders on the Register on 15 May 2009. The Board recognises that we must in these unprecedented, challenging times continually review our dividend policy. However, it also acknowledges the importance of the dividend to its shareholders and will therefore endeavour to generate profit and cash sufficient to continue to provide stakeholders with an attractive yield on their investment.

PERFORMANCE BENCHMARKING AND RETURNS

Total Shareholder Value (TSV), calculated as the increase in net asset value plus dividends per share, created in the year was 12.0p per share (2007: 28.1p), a 9% (2007: 24%) return on opening net assets. Although the Group achieved a record trading profit and, despite the impact of revaluation deficits, positive net profit before tax, increased net assets and a maintained dividend, it has continued to feel the effects of negative sentiment towards the publicly quoted property and construction sector. As a consequence, Total Shareholder Return (TSR) in the period was -105.0p (2007: -41.9p), a -62% return on the opening price on 1 January 2008 of 169p. TSR is calculated as the change in share price plus dividends per share. These returns compare to an average TSR of -42% on the FTSE Construction Sector, -47% on the Real Estate Sector and -44% on the FTSE Small Cap Index. These sectors have been chosen as the best comparative benchmarks against which to monitor our Company.

EMPLOYEES

On behalf of my fellow Directors, I express my sincere thanks to all the Group's employees for their contribution in achieving yet another excellent trading performance. There is little doubt that the next phase in the economic cycle is going to be very difficult for the UK. It is our people who, through their commitment, skill and hard work, will help us manage our way through this period to be in a good position to capitalise on the opportunities arising as the UK recovers from this recession.

STRATEGY

The Group strategy continues to focus on land promotion, property investment and development, with the support of construction, PFI and plant hire activities. We recognise that profit from land promotion and property development is affected by the cyclical nature of the property market and is a business opportunity where the timing and scale of profitability is difficult to predict in the short-term, but should again be attractive in the long-term.

It remains our objective that, as our subsidiaries create surplus funds and as prudent cash management allows, we will invest in those developments which, in our view, offer the best rental and capital growth opportunities. However, investment property yields are currently at such a level that it is more beneficial to acquire rather than develop. Therefore, in the short-term, it is our intention to reduce our development pipeline and manage our investment portfolio to generate cash whilst protecting the net asset value created over the last ten years. We will also focus on achieving planning consents on our greenfield land sites to profit from the eventual recovery in the housing sector. The defensive, cash-generative qualities of our businesses will come to the fore in the recessionary phase of the economic cycle, a period from which we intend to emerge with our balance sheet and cash position in good order and ready to take advantage of the cyclical upturn when it occurs.

OUTLOOK

As I said last year, the general economic climate within which our business operates will be very turbulent for some considerable time. I believe that the aforementioned strategy is the right one for the long-term success of our business. We continue to benefit from the recurring profit, cash generation and return on assets provided by our construction, PFI and plant hire businesses. We have a strategic land portfolio of the highest quality, in the right locations, steadily moving through the planning process. We strongly believe that, although land values have reduced significantly, so too have house builder inventories, and this gives us a great opportunity to profit as house builders restock their land banks and move away from the town centre apartment market.

Our broad mix of businesses and prudently geared balance sheet, allied to a cautious strategy, gives the Board confidence that we will manage the next phase of the cycle successfully and deliver growing value to shareholders once again.

JOHN REIS
CHAIRMAN
2 APRIL 2009

SUMMARY OF CHAIRMAN'S STATEMENT

- Further set of solid results
- Record trading profit
- Strong cash generation
- Gearing reduced by a third
- Total net assets increased
- Maintained final dividend
- Dividend cover 2.2 times
- 12p total shareholder value – a return of 9% on opening net asset value

MARKHAM VALE, DERBYSHIRE

MARKHAM VALE, DERBYSHIRE: OUR NEW LONG-TERM FLAGSHIP DEVELOPMENT

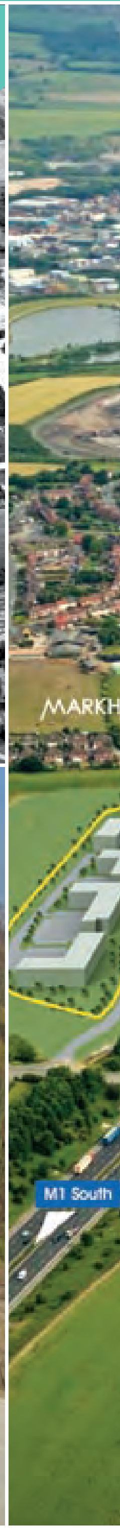
Markham Vale is a £62m business development by Henry Boot Developments Limited in partnership with Derbyshire County Council, centred on the site of the former Markham Colliery, five miles to the east of Chesterfield. This major regeneration project, adjacent to the M1, will provide 200 acres of prime industrial/distribution and commercial opportunities and bring much needed new employment to this area of North East Derbyshire. The redevelopment of the whole site is to take place over the next 10 years. It will provide a wealth of opportunities for occupiers, underpinned by a philosophy of sustainability, accessibility and quality.

PAST

Markham Colliery closed in 1994.

PRESENT

One of the first stages of redevelopment of the Markham site is industrial units at Waterloo Court.



- Situated in the heart of the country
- New Junction 29A on M1 created for easy access
- Units available from 3,000 sq ft to 1 million sq ft
- Will include one of the UK's greenest units
- Design and build bespoke premises available
- Provision for a rail freight terminal
- Three distinct development areas:
  Markham East: industrial/distribution warehouse, including Waterloo Court and The Green Giant
  Markham North: distribution/warehousing available from 2010
  Markham West: hotel/restaurant/offices/industrial/hybrid

FUTURE

The sheer scale of our Markham Vale development is illustrated by this artist's impression of the completed scheme.

John Sutcliffe, Group Finance Director; **Jamie Boot,** Group Managing Director; **Douglas Greaves,** Executive Director

> **"Our long-term strategy of adding value to land either through development, planning promotion or construction, remains in place."**

OPERATIONS REVIEW

Our long-term strategy of adding value to land either through development, planning promotion or construction, remains in place. Real estate has been affected by the well publicised problems in the financial arena and the lack of liquidity in the debt markets that is currently affecting all sectors of the property market. This lack of funding can be seen at an individual level in the mortgage market all the way through to weakness in institutional grade investments.

Consequently this lack of liquidity, in conjunction with the recession and attendant rises in unemployment, is affecting real estate prices to such an extent that profitable development is now difficult to achieve. In many cases completion yields are higher than the return on cost and, therefore, with the exception of the schemes currently in progress, we will restrict further development until the market and the certainty of profitability returns.

The long-term nature of land promotion means that periods of readjustment will feature from time to time and we are dealing with this by pushing hard on the planning front, selling where we can achieve fair value and warehousing sites where the market is not receptive to the scale or location at the current time.

On the whole, our construction, PFI and plant hire businesses performed well in 2008. A significant proportion of activity within our construction business is linked to locally and centrally funded frameworks such as Decent Homes and Prison Alliance and has therefore been insulated to some extent from the worst effects of current market trends. The PFI business, operating the A69 between Newcastle and Carlisle, also continues to deliver steady returns. Plant hire had a reasonable year but experienced more difficult trading conditions as the year progressed, as many house builders and private sector developers found conditions increasingly difficult and mothballed their sites until the market improves.

Taking each area of the business in detail:

PROPERTY

In common with the rest of the property industry during 2008, Henry Boot Developments experienced markets in which property values reduced significantly. This was particularly evident in the last quarter when commercial property values fell by around 15%. According to IPD, the annual decline in all property values was 26.3% and therefore, whilst we suffered a 12.6% revaluation deficit at £19.6m (2007: surplus £18.1m), this result was cushioned by the developments that were completed during the year and valued for the first time. We started the year with the expectation that these schemes would contribute to profitability in 2008 as they moved into fixed assets. However, the outward yield shift has been so rapid that these properties were valued in December 2008 at or around cost.

Looking forward, it is very difficult to predict when, and at what valuation level, the commercial property market will start to recover. Commentators have suggested that values could halve from the peak in 2006/7 and that any recovery will be reliant on a higher level of UK bank debt funding. As yet, there is little sign of this happening in the short-term and currently the risks associated with the development of commercial property far outweigh the benefits. In many cases the yield on cost is below the market yield on the fully let completed development; added to this are the risks of prospective tenant default before completion and empty rates liabilities. Against this backdrop, our development activities during 2009 and 2010 will be limited to those schemes which generate substantial positive cash flow and are fully pre-let at the outset.

Whilst some progress has been made letting vacant space in previously completed developments this year, we have not been as successful as we had hoped and a higher level of tenant incentive has had to be offered to secure the lettings achieved.

INVESTMENTS

At Clifton Moor, York, we have two retail warehouse units. The first, a 25,000 sq ft unit, was built during 2008 and was occupied late in the year by PC World. A second 18,000 sq ft unit that requires fit-out is currently empty although we have a number of retailers expressing interest. Our non-food retail units at South Shields have traded well and have an excellent tenant line up. Work has commenced on the balance of the land with the construction of an ASDA food store which will have a positive effect on our investment when it is completed. Our mixed-use retail and office scheme at Bromley is now complete. Good progress has been made during the year with new lettings for this project and we are hopeful of securing tenants in 2009 for the remaining available retail and office units.

The Axis, our mixed-use scheme in Nottingham, was completed and brought into the valuation for the first time in 2008. The final small café unit is currently being marketed and, with all other tenants now in occupation, we anticipate a total rental income of over £1.8m per annum up to the first review date. Our two retail units at Bromborough, Wirral, totalling 37,000 sq ft are also complete and our two tenants, Magnet and Homebase, are both installed and trading. These units currently produce a total of £0.46m per annum of rental income.

Letting of the empty space at our Ayr retail scheme remains difficult, nonetheless we have a number of deals in negotiation and are hopeful that these will be successfully concluded. The value of this investment has fallen during the year effectively reversing the valuation uplift seen in the previous year.

At Carver Street in Sheffield we have a mixed-use retail and office scheme which we have owned for some 30 years. The retail space has seen reasonable rent increases during the year where reviews have been completed and therefore the fall in value of this property is less marked than others within the portfolio. At Chesterfield, we have owned two relatively small industrial estates for over 20 years. The first, at Pottery Lane West, is almost fully let and remains in our ownership, whilst the second, Vanguard Trading Estate, was sold for £2.55m in November 2008.

DEVELOPMENTS IN PROGRESS

There are a small number of situations where we are progressing with the construction or refurbishment of a development site but only where we have an existing site cost and, with the benefit of pre-lets, additional investment will yield an excellent rental return on that expenditure. There are also several developments in progress that have already incurred the majority of the cost and which will complete in 2009.

Work on the 27,620 sq ft retail warehouse scheme in Port Talbot completed in early 2009. We have three of the four units let to Pets at Home, Halfords and Dreams and our efforts are now directed towards letting the remaining empty space. Work continued throughout the year at our 147 acre Priory Park development in Hull. We completed land, office and industrial unit sales in addition to a number of design and build schemes directly for clients and we also developed a small office scheme in association with a local developer. On our large industrial site, adjacent to the A50 at Stoke-on-Trent, we completed a 123,000 sq ft production unit for Recticel (UK) Limited, manufacturers of insulation products. On the same site we have now commenced the construction of a 190,000 sq ft warehouse for the pharmaceutical distribution arm of the Co-op which should be completed in the first half of 2009. When fully rent producing, these two units will provide income of almost £1.5m per annum.

At Worksop, Nottinghamshire, we had hoped to complete the sale of a food store site linked to a leisure scheme in late 2008; this will now occur early in 2009. At Beeston, Nottingham, we have an existing fully let 70,000 sq ft retail scheme, some of which is expected to be acquired through a compulsory purchase order arrangement as part of the Nottingham tram extension programme. We expect to lead the future redevelopment of this site, including some adjacent land, to form a new, enlarged retail development. At Rotherham, work is underway on a 50,000 sq ft retail warehouse unit for B&Q, with completion scheduled for the second half of 2009. In the current market other retail units totalling 50,000 sq ft and four acres of land with planning permission for employment uses will only be developed once we have obtained pre-lets that will ensure a profitable development.

> **“Our development activities during 2009 and 2010 will be limited to those schemes which generate substantial positive cash flow and are fully pre-let at the outset.”**

> **"Focused on reducing voids and maximising rental income."**

OPERATIONS REVIEW CONTINUED
PROPERTY CONTINUED
DEVELOPMENTS IN PROGRESS CONTINUED

During the year the new Junction 29A was opened giving direct access from the M1 onto our 200 acre Markham Vale site. Our development agreement with Derbyshire County Council allowed for the speculative development of eight small office/industrial units totalling 51,000 sq ft which should complete in the first half of 2009. We have also completed the first of a series of design and build industrial units, a 31,000 sq ft unit which we recently handed over to Industrial Ancillaries Limited. Even in this difficult market, Markham Vale is a prime industrial site with great transport links and we are seeing good levels of interest in both the speculatively built units and further design and build schemes. It is anticipated that activity on this site will continue for many years and will take over from Priory Park as our main industrial development site.

At Junction 11 on the M20, near the Channel Tunnel train terminal, we have developed port waiting facilities and a service area, Stop 24, which is largely made up of retail and restaurant units. Our focus is currently on increasing the number of drivers using the facility. We have made a fair value provision in our 2008 results against this site.

FUTURE DEVELOPMENT OPPORTUNITIES

In Bodmin, we purchased two pieces of land some time ago where we planned to develop a 37,000 sq ft retail park and a 50,000 sq ft trade park. Due to the poor market conditions these plans have currently been put on hold until we are able to formalise the third-party interest currently being expressed in these schemes. At Tamworth, we acquired a dated retail centre scheme in 2006 where we have now largely created a vacant site and, in conjunction with some adjacent land, plan to develop a substantial retail scheme. More longer-term, we are also progressing retail schemes in partnership with local authorities at Abergavenny, Burnley and Daventry.

We have two development sites in Falkirk, Scotland. First, we own a small parade of retail units which we plan to include in a much larger future redevelopment scheme incorporating additional land to the rear of our site. We are also in discussion with the local council regarding the partial development of Falkirk Football Club along with a large development site around the ground. In Cumbernauld, Scotland, we own a 7.5 acre industrial site where we plan to install infrastructure and subsequently sell individual development plots, probably on a design and build basis, but if tenant covenants are good we may consider building for lease.

We own a small plot of land at Longwell Green, Bristol, where we have planning permission for a 20,000 sq ft office development. Once again, current market conditions mean that we do not expect to progress with this site until interest is confirmed. This approach also applies to a 20,000 sq ft trade park site that we control in Malvern. We have two office schemes planned for development at Maidenhead and Richmond. Scheme details are being prepared for each but construction will not start until pre-lets are obtained and investment values allow us to proceed. During the year we acquired the vacant former County Court building on Deansgate, Manchester. We have seen a considerable amount of occupier interest in this landmark building and this, with the necessary pre-lets and resolution of the planning issues, even in the current market, may allow us to proceed with the refurbishment.

Henry Boot Developments is currently focused on reducing voids and maximising rental income from its investment properties, completing the developments in progress to budget, ensuring they are fully let and selling those properties that do not fit within our long-term investment property portfolio. As a developer it is essential that we recycle cash back into our business and we do not intend to reinvest this into either development or investment property purchases until the market stabilises or we identify an exceptional opportunity from which to create shareholder value.

PROPERTY

Completion of six self contained industrial/ warehouse units at Banner Court, Priory Park, Hull.

The final phase of Meir Park, Stoke-on-Trent was pre-let to Co-operative Healthcare.

"Our land business continues to promote and market an extensive pipeline of sites throughout the country; at 31 December 2008 it held interests in 7,635 acres in some 130 sites."

OPERATIONS REVIEW CONTINUED

LAND

Hallam Land Management Limited, our land business, continues to promote and market an extensive pipeline of sites throughout the country. At 31 December 2008 it held interests in 7,635 acres (2007: 6,725 acres) with 1,679 acres owned (2007: 1,660 acres), 3,982 acres optioned (2007: 3,712 acres) and 1,974 acres held under agency agreements (2007: 1,353 acres). At 31 December 2008 the inventory value of these land assets was £53.9m (2007: £73.5m) on 130 sites. Some 90% of these interests are in the Midlands, Southern England and Scotland. Most are greenfield and for residential development, although we also have industrial, commercial and wind farm sites within the portfolio.

We concluded four key land sales in the period under review at Milton Keynes, Bowburn, Syston and Melksham and these, together with other smaller transactions, combined to generate record trading profits within land development of £35.5m (2007: £22.7m).

Historically, difficulties in the planning process contributed to a shortage of residential development sites leading, in part, to housing shortages. Over the last decade these shortages, allied to freely available, inexpensive credit, fuelled steep increases in house prices. The UK Government recognised the planning bottleneck late in the day and is now relaxing the planning system to address this shortage in housing provision.

UK house builders are currently suffering a much more serious threat. The lack of mortgage funding, allied to stricter lending criteria and requirements for larger deposits from the banks, resulted in the collapse of the already depleted first-time buyer market in 2008 and resulted in over-leveraged house builders trading down their stock properties and reducing debt. We are anticipating only a slow and steady recovery from this as the banks are recapitalised and more normal lending practice returns. In tandem with this, much of the consented land in the house builders' portfolios has attendant local authority infrastructure and community benefit provision agreements that were negotiated in an historic market where demand, profit and selling prices were substantially higher. Therefore many of these Section Agreements are no longer affordable for the developers and will require renegotiation. As a consequence, UK house building has dramatically reduced, with the 2008 total production at some 130,000 units and the 2009 figure expected to fall well short of that level. In both cases, these figures are significantly below the Government target of 250,000 units per year.

For Hallam Land this means that trading in 2009 and 2010 will be undertaken against a backdrop of very difficult market conditions. Land values have fallen and we anticipate this trend continuing until house prices stabilise. We also anticipate that sales receipts will be spread over a longer period as house builders look to match land purchase costs with cash inflows. Despite this, we are working on a number of sites that we hope to bring to the market between 2009 and 2011.

In Bedfordshire, we have interests in three land holdings. The first, at Norse Road, Bedford, where with contract negotiations well advanced, it is reasonable to expect a sale in 2009. The second much larger site of 184 acres at Biddenham is also well advanced in planning terms and should begin to contribute to sales from 2011 onwards. The third, at Ampthill, is a prime residential location for some 200 units and, subject to the satisfactory completion of all agreements, we are working towards achieving a disposal of our interest this year.

We own five acres of land at Bishopbriggs in Scotland and, if we can successfully obtain a timely residential planning permission, we should be able to sell this site later in the year. We also own 90 acres of land at Kilmarnock and 45 acres at Tillicoultry which, in both cases, we plan to bring forward to achieve initial land sales during 2010 or 2011.

At Mansfield, Nottinghamshire, we have two pieces of land available for development. First, at Rushpool Farm, we have a consented residential site of 27 acres where we intend to commence land sales during 2009. The second site, Penniment Farm, is earmarked for commercial development and we hope to commence sales in 2010 or 2011. We have jointly owned land at Rugby for many years and over the next three years we aim to achieve the disposal of a commercial site which is part of a large completed residential development and also, subject to planning, release a further land holding for

LAND

83 acres of land at Melksham was sold for a development of 700 houses.

Artist's impression of Hallam Land's proposed scheme at Brooklands, Milton Keynes, which was sold in the year.

"We concluded four key land sales in the period which combined to generate record trading profits of £35.5m."

OPERATIONS REVIEW CONTINUED

LAND CONTINUED

residential development. Planning permission has been obtained on part of a large site we have under option at Worcester and we aim to sell this section at some stage during 2009. The balance of the site is currently progressing through the planning process and, in due course, we hope to receive a major housing allocation of up to 1,500 units. Another attractive site, at Chudleigh in Devon, has a residential permission for some 100 units and we aim to conclude negotiations with one of the interested parties this year, with a view to making a sale in late 2009 or 2010. In Dewsbury we own a three acre site allocated for residential development which we plan to market and achieve a sale during 2009 or 2010.

Last year we obtained our first wind farm planning permission at High Haswell in County Durham and we hope to sell this interest during 2009. We are pursuing other wind farm interests and have secured an opportunity near Selby, which we hope to be able to take through the planning process sufficiently quickly to allow a sale in 2011.

We have already won planning permission for a care home and retirement community on land at St. Albans, which we promoted under an agency agreement. A further application has recently been submitted for residential development on the balance of the land under this agreement.

We own a large 160 acre site in Bridgewater. An outline planning application for 2,000 dwellings, 450,000 sq ft of B1 and B2 industrial development, creating a significant number of new jobs, and a 750,000 sq ft distribution unit was submitted to Sedgemoor District Council at the end of 2008. If a positive planning decision can be secured, we aim to commence work on the development in late 2010. This major application covers a number of other ownerships in addition to ours.

At Kettering a further major application has been submitted for 5,500 dwellings. Whilst not leading this application, we do have a substantial joint interest in 76 acres which would be developed if the application succeeds. An early Resolution to Grant is expected at some stage in 2009 and this will initiate Section Agreement negotiations leading to a full permission before the site is marketable.

We are one of the lead investors in the newly planned Cranbrook settlement outside Exeter. This is the major urban expansion location for Exeter and will include residential, retail and industrial land uses. Our investment in this project is substantial and we expect it to grow steadily over the next three years, offset by land sales which are expected to commence late in 2010 or 2011.

Crowmarsh Gifford, located in South Oxfordshire, has a housing land supply deficit and we are promoting land we have optioned there to satisfy this shortfall. Matters are progressing steadily and we are working towards a positive outcome during 2010 or 2011.

The immediate future is challenging and we believe land values will remain depressed for some time but we remain confident, even in this very difficult housing market, that we will continue to prosper. Furthermore, we believe that we retain a portfolio of opportunities which should provide healthy returns when the market recovers to normal levels.

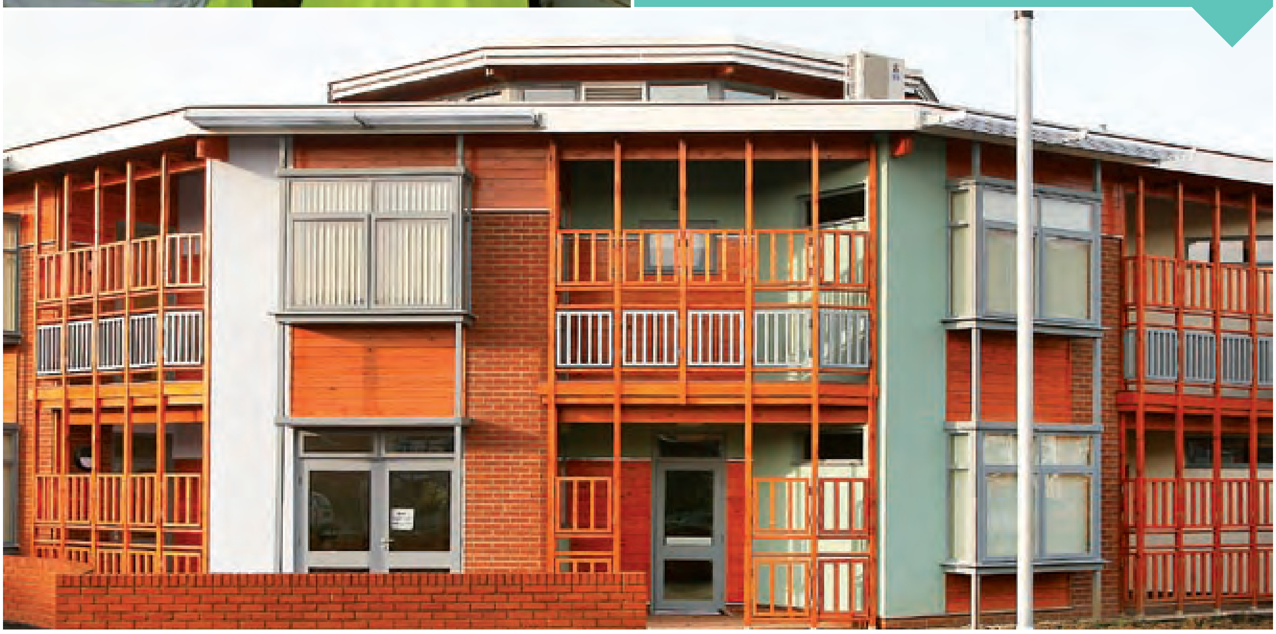
CONSTRUCTION

Henry Boot Construction (UK) Limited performed well throughout the year, achieving both its targeted growth and profit. We have a healthy forward order book in an increasingly competitive marketplace and we are well placed to consolidate our position in our chosen industry sectors. We continue to follow our policy of carefully selecting both the type of contract and the clients worked for, in order to reduce our exposure to risk as far as possible. The continuing strategy of targeting work within the public sector has served us well. Activity this year primarily focussed on Decent Homes, education and local authority frameworks and the Prison Alliance, in addition to private sector commercial development and avoided completely the residential new build sector. This meant we were not exposed to the difficulties in that part of the industry.

CONSTRUCTION

Work underway on Decent Homes refurbishment in Sheffield.

A new 64-bed care facility at Dinnington.



New classrooms and school refurbishment at South Anston.

"Henry Boot Construction (UK) performed well throughout the year achieving both its targeted growth and profit. We have a healthy order book and are well placed to consolidate our position in our chosen industry sectors."

OPERATIONS REVIEW CONTINUED
CONSTRUCTION CONTINUED

We continue to work alongside partner contractors on major Decent Homes schemes in the North of England, for Sheffield City Council on the largest project of its type in the country being managed by Sheffield Homes, for Rotherham Metropolitan Borough Council on a 22,500 homes programme being administered by 2010 Rotherham and 22,000 homes for St Leger Homes on behalf of Doncaster Metropolitan Borough Council. 2008 saw us upgrade over 3,000 units during the second year of these frameworks and we expect a similar number to be completed in 2009.

During the year we also completed works on three multi-storey tower blocks and returned 336 refurbished flats to Hull City Council. We also completed repairs to 137 properties at Toll Bar, which was the scene of devastating flooding in 2007, for Doncaster MBC.

As the result of our Preferred Alliance Contractor Agreement with the National Offenders Management Service, we have carried out a large number of upgrade and refurbishment contracts within secure establishments, including a major £11.0m improvement programme at HM Prison Leeds. There are a number of projects currently being negotiated under this agreement which should provide us with healthy growth within this sector in coming years.

Our work in the education sector continued to grow during the year with facilities either in progress or completed under partnering framework agreements with Cheshire County Council, Derby City Council and Rotherham Metropolitan Borough Council. With the Government's commitment to maintain expenditure in this sector, we expect these frameworks will provide us with more work in the coming years. We also completed a very successful fast-track refurbishment contract for Sheffield Hallam University to provide consolidated facilities. A large number of school extension and modernisation projects were also undertaken for Rotherham MBC through our involvement in the Rotherham Construction Partnership. This arrangement also provided us with the opportunity to construct a 64-bed residential care home which was completed during the year.

Our strength and experience within the retail and commercial sectors continues to grow with the construction of a B&Q store at Northfields Retail Park, Rotherham, which is due for completion in June 2009, along with new offices and an aircraft refurbishment centre at Robin Hood Airport, Doncaster, again due to complete in the first half of 2009.

Our general works section achieved further growth in its mainstream activity of civil engineering contracts in the industrial and water sectors. This growth was augmented by increasing activity in smaller value general building work contracts. As ever, a key feature of the division's success was its ability to secure repeat work under Partnering Agreements with a number of long-term clients.

Environmental management and our impact on the environment, as a result of construction activities, is a key management focus. During 2008 we achieved our Key Performance Indicator targets of zero pollution incidents, zero breaches of legislation, no enforcement notices and we met all other best practice measures.

The application and monitoring of health and safety legislation is a prime objective in our drive towards safer working practices for all employees. Our specialist in-house team was busy throughout the year making 259 construction site safety check visits, and delivering on and off site training to our operatives and staff. It is pleasing to report that over 85% of Henry Boot Construction employees are now registered Construction Skills Certification Scheme card holders as appropriate to their trade or profession. Accreditation with Contractors Health and Safety Assessment (CHAS) has been maintained throughout the year.

ROAD LINK (A69) HOLDINGS LIMITED

Road Link has had yet another successful year, with the majority of its financial and performance targets either met or beaten. This was achieved despite a fall in vehicle numbers using the A69 as a consequence of higher fuel prices. Whilst these have reduced recently, we believe traffic numbers have not returned to previous levels due to weaker economic activity. The Company recently undertook a review of its financial plans for the remainder of the concession period, which ends in 2026 and we expect a continued solid financial performance during the period. It is particularly pleasing that the proactive maintenance of this road is yielding efficiency savings by maintaining higher road usage and income at a lower cost.

PLANT HIRE

Banner Plant Limited's performance has mirrored the current volatility in the marketplace in which it operates. Trade during the first half was marginally ahead of expectations, while in the second half the widely reported fall in national activity affected both the turnover and profitability of the business. That said, the business remained profitable for the year, has a broad spread of equipment and is able to rein back capital expenditure to create strong cash generation going forward. We recognised the reduction in workload early and in the third quarter implemented a cost cutting exercise. Employee numbers have been realigned along with the size of our hire fleet. Fleet additions have reduced considerably with purchases being limited to those fulfilling specific customer needs. We have also accelerated the disposal of older redundant fleet items.

Within this difficult market there have been some bright spots. The powered access section has traded briskly all year, producing a strong profit. Customer loyalty has been encouraging, enabling our fleet utilisation levels to be consistently at the top end of the industry and our own expectations. In addition, accommodation, comprising unit and serviced utilities hire and temporary accommodation unit sales, was outperformed only by the powered access section. Our plant and power tool depots have traded in line with national conditions. Buoyant first half activity levels were followed by a gradual slowdown in the second as, in particular, the workload levels for groundworkers and subcontractors in the house building and commercial development sector began to slow rapidly.

We have retained a comprehensive sales team throughout the year. Their brief is to maintain strong links with existing customers and search out work less likely to be affected by the downturn. Administration costs have been trimmed, however, we recognise the importance of key functions such as credit control. Debtor days have been kept at the same level all year by the vigorous approach of the team, although the volume of customers defaulting has increased slightly.

Banner Plant is well positioned to deal with the challenges ahead, although we do forecast that 2009 and 2010 will be difficult years. We entered 2009 with a modern, well maintained fleet delivered by an experienced workforce and we expect to generate a strong positive cash flow and reduce debt levels in 2009.

> **"Banner plant expects to generate a strong positive cash flow and reduce debt levels in 2009."**

PLANT

A Kubota 161–3 5 ton Mini Excavator loading a Terex 3 ton Dumper.

JLG 860SJ Diesel booms, providing up to 92' working height, with smaller JLG 600AJs in background.

A Genie 33/84 Double Deck Rough Terrain Diesel Scissor undertaking structural survey work.

FINANCIAL REVIEW

PROFIT AND LOSS

Net revenue for the year increased substantially to £193.7m (2007: £124.8m) as a result of higher construction revenues and land sales. This gave rise to a record trading profit of £44.0m (2007: £28.8m), however, profit before tax decreased to £19.3m (2007: £46.5m) after the property revaluation deficit of £19.6m (2007: surplus £18.1m). Realised profits on the sale of investment properties and properties under construction were £0.5m (2007: £3.5m). In light of the valuation fall seen in the investment portfolio, we made provision of £2.8m (2007: £Nil) against two assets in the course of construction where we believe that market value on completion will be below cost. Administrative and pension expenses were 8% higher at £14.7m (2007: £13.6m) as pension scheme costs increased by £0.8m and share-based payments increased by £0.7m. We anticipate the general overheads in the business to reduce in 2009 as we actively control our cost base wherever we consider it appropriate to do so.

Review of the segmental profit analysis shows that land development profits increased by 56% to £35.5m (2007: £22.7m) whilst property development and investment activities produced a loss of £17.3m (2007: profit £24.6m). Construction division profit was 12% higher at £9.4m (2007: £8.4m) and central costs higher at £5.5m (2007: £4.5m) after higher pension costs and share-based payments noted above.

Basic earnings per share were 56% lower at 10.8p (2007: 24.5p). The total dividend payable for the year remains unchanged at 5.0p (2007: 5.0p), with dividend cover reducing to 2.2 times (2007: 4.9 times).

FINANCING AND GEARING

As anticipated, net finance costs fell to £2.8m (2007: £3.8m) as we reduced our average debt levels but suffered from higher interest rates until the dramatic falls experienced towards the end of the year. Interest cover, expressed as the ratio of profit from operations (excluding the valuation movement on investment properties and disposal profits) to interest, was 15 times (2007: 8 times). Interest expenses are likely to reduce further in 2009 as lower base rates, albeit offset by higher bank margins, work to reduce overall costs. No interest incurred during the year under review or the previous year has been capitalised into the cost of developments in progress.

The land sales achieved in the year, partially offset by the continued investment in our investment property portfolio, helped us reduce year end borrowings to £49.3m (2007: £70.9m). Gearing on net assets of £190.1m was also reduced by a third to 26% (2007: net assets £182.2m, gearing 39%). All borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. We have recently received approval for three year committed facilities totalling £94m with our three banking partners. In the current uncertain market we feel this longer-term facility, unchanged in size, is more appropriate than the annually renewed bilateral facilities with which we have been operating.

TAX

The tax charge for the year is £3.7m (2007: £13.7m) after the significant reduction in net profit and represents a charge of 19.0% (2007: 29.4%). The lower percentage charge primarily arises from claims for capital allowances on the significant increase in our investment portfolio over the last three years. Tax payable will be higher than the income statement charge as a result of the deferred tax credit on the revaluation deficit. Deferred tax has been calculated at 28%, being the rate expected to be applicable at the date the actual tax will arise.

“Net revenue for the year increased substantially to £193.7m giving rise to a record trading profit of £44.0m.”

"Net assets increased £7.9m to £190.1m and net asset value per share increased 5% to 146p."

FINANCIAL REVIEW CONTINUED

CASH FLOW

The strong trading performance fed through to cash flow with cash generated from operations at £73.9m (2007: £20.6m). Operating cash inflows increased to £49.5m (2007: £33.7m) after the add back of impairment and revaluation losses, which totalled £22.7m, highlighting the cash generative nature of our operating activities. The 2007 increase in inventories of £23.9m was almost completely reversed in 2008 as land acquired in 2007 was sold. The strategy of retaining developments is reflected in the investment in property, plant and equipment at £40.8m (2007: £59.3m). This investment was offset by higher property disposals of £13.2m (2007: £7.5m) reflecting a net investment of £27.6m (2007: £51.8m). It is anticipated that the level of property related capital expenditure will fall further in 2009 as development work in progress is largely completed by the end of the third quarter. Total dividends paid were £8.0m (2007: £7.2m). The net increase in cash was £21.7m (2007: outflow £55.0m) leaving closing net debt at £49.3m (2007: £70.9m).

BALANCE SHEET

The policy of progressive investment in the development portfolio noted in this Business Review has been mostly offset by the revaluation deficit on investment property of £19.6m and the fair value adjustment taken against properties under construction of £2.8m. The £44.8m increase in investment property to £126.3m is largely offset by the £43.7m reduction in property, plant and equipment to £111.2m as a number of properties under construction were completed and moved to investment property. These included developments at Bromley, Nottingham, South Shields, Bromborough, York and Stoke-on-Trent. The total investment in non-current assets stood at £253.0m (2007: £248.5m). Net current liabilities increased £3.3m to £22.9m (2007: £19.6m) largely due to reductions in land in stock and short-term borrowings and a lower tax creditor. This increase is offset by a reduction in non-current liabilities to £40.1m (2007: £46.7m) as longer-term borrowings fell and certain trade payables were moved from current liabilities. Net assets increased £7.9m to £190.1m (2007: £182.2m) and net asset value per share increased 5% to 146p (2007: 139p).

PENSION SCHEME

The annual IAS 19 valuation of the defined benefit pension scheme showed the scheme deficit increasing slightly to £22.6m (2007: £22.5m) at the year end. The deferred tax asset associated with this was £6.3m (2007: £6.3m). Adding back this net deficit of £16.3m (2007: £16.2m) to net assets, the 2008 deficit equates to 7.9% of equity shareholders' funds (2007: 8.2%). The deficit benefited from an increase in long-term corporate bond yields, offset by a fall in value of the scheme's assets resulting from turmoil in the financial markets. The Scheme Actuary will be performing the next triennial valuation at 1 January 2010. The previous valuation performed on 1 January 2007 showed a deficit of £8.8m. Current trends in the mortality assumptions used and the differential in yields between gilts and corporate bonds indicate that this deficit will have grown and may be higher than the IAS 19 valuation at 31 December 2009. On receipt of the 2007 triennial valuation the Company agreed a recovery plan with the trustees of the scheme, which includes the provision of an 'on demand' letter of credit for £7.0m and additional annual contributions of £0.7m. In our scheme each 0.1% change in the assumed long-term investment return changes the scheme deficit by about £3.0m. The defined benefit scheme is closed to new entrants and new employees are offered a defined contribution scheme.

KEY RISKS

In common with all organisations, the Group faces risks which may affect its performance. These are general in nature and include: obtaining business on competitive terms, retaining key personnel, successful integration of new business streams, economic stability and market competition. The Group operates a system of internal control and risk management in order to provide assurance that we are managing risk whilst achieving our business objectives. No system can fully eliminate risk and therefore the understanding of operational risk is central to the management process within Henry Boot. The long-term success of the Group depends on the continual review, assessment and control of the key business risks we face. To enable shareholders to appreciate what the business considers are the main operational risks, they are briefly outlined below.

DEVELOPMENT – not developing marketable assets for both tenants and the investment market on time and cost effectively. Rising market yields on completion can make development uneconomic, given the time it takes from gestation to completion. Timing and the management of the scale of development commitments is crucial.

LAND – the inability to source, acquire and promote land would have a detrimental effect on our strategic land bank and future income stream. Prices may be affected by changes in Government legislation and taxation. A dramatic change in house builder funding sentiment and demand for housing can dramatically change the demand and pricing profile for land with planning consent.

INVESTMENTS – not identifying and retaining assets which have the best opportunity for long-term rental and capital growth, or conversely not selling those assets where capital values have been maximised. This is an ongoing process with regular reviews of the assets and market conditions and must be undertaken dispassionately to achieve best value.

INTEREST RATES – significant upward changes in interest rates affect interest costs, yields and asset prices and reduce demand for commercial and residential property.

TREASURY – the lack of readily available funding to either the Company or third parties to undertake property transactions can have a significant impact on property valuations within the marketplace in which we operate. Due to the difficulties within the banking sector the Group has received approval for three year facilities with our three banking partners. Detailed cash requirements are forecast up to 15 months in advance and reviewed and revised monthly. Financial instruments are considered where applicable and any short-term positive cash balances are placed on deposit.

PLANNING – increased complexity, cost and delay in the planning process may slow down the project pipeline. The recent significant change in demand for housing and the attendant decline in land prices may have a detrimental effect on the supply of land being brought to market by landowners.

PERSONNEL – the attraction and retention of the highest calibre people with the appropriate experience is crucial to our long-term growth in the highly competitive labour markets in which we have to work. It is anticipated that in the short-term this risk will reduce as unemployment begins to rise with, in particular, the property and construction sector suffering.

PENSION – the Group operates a defined benefit pension scheme which has been closed to new members for some time and has been replaced by a stakeholder scheme. Whilst the trustees have a prudent approach to the mix of return seeking and fixed interest assets, times of economic instability can have an impact on those asset values with the result that the reported pension deficit increases. In addition, the mortality and inflation assumptions used in calculating pension deficits can have a huge impact and are difficult to predict with certainty.

ENVIRONMENTAL – the Group is inextricably linked to the property sector and environmental considerations are paramount to our success. Therefore our interaction with the environment and the agencies that have an over-arching responsibility has got to be positive at all times in order to achieve best value. Stricter environmental legislation will increase development costs and therefore could impact on profitability if capital values do not increase to reflect this more efficient energy performance.

ECONOMIC – we operate solely in the UK and are closely allied to the real estate, house building and construction sectors. A strong economy with strong tenant demand is vital to create long-term growth in rental and asset values whilst, at the same time, creating a healthy market for the construction and plant hire divisions. The current economic situation, allied to a chronic lack of liquidity within the property sector, means that, in common with all businesses in the sector, overall risks in this area have increased throughout 2008 and are unlikely to fall back in 2009.

“The net increase in cash was £21.7m with gearing reduced by a third to 26%.”

"We have an extensive geographical spread of some 30 opportunities within the UK, to develop or redevelop sites across the retail, leisure, office and industrial sectors."

KEY PERFORMANCE INDICATORS (KPIs)

Each business unit within the Group is required to establish targets at the beginning of each financial year against a broad range of financial and non-financial indicators. The Managing Director of each subsidiary reports on progress at Board meetings every two months. The three main Board Executive Directors attend these meetings and are able to assess whether each unit is performing in accordance with its plan throughout the year. The KPIs differ in each subsidiary with the exception of financial targets which focus on profitability growth, cash generation, levels of debt, forecast cash requirements, return on capital employed, shareholder return and asset value created. We also review health and safety matters and how economic conditions and changes in legislation may affect individual business units.

In addition to this, we review a range of specific indicators within each business unit, the main ones are as follows:

LAND – the size of the strategic land bank, the split between owned and optioned land, the extent to which we have full or outline planning consent and the number of residential units or commercial space contained in those consents.

DEVELOPMENTS – the expected investment in developments, expected completed values and anticipated yields, rents and rental growth, levels of tenant demand and unlet space, new investment and development opportunities and portfolio sales.

CONSTRUCTION – workload forecasts and capacity utilisation in relation to plan, tender opportunities and wins, environmental matters and contract completion, sign off and financial closure.

PLANT HIRE – activity levels by depot and class of asset, cash generation and return on capital employed which, in turn, drives asset investment decisions.

GROUP – at Group level the business units' performance against expectations forms an integral part of the reporting criteria. In addition the highlighted Group performance indicators are reported on at each meeting.

RESOURCES

The Group has the following key resources to assist it in the pursuit of its key objectives:

OUR PEOPLE

The Group's employees are its foremost asset. Their skill, commitment, drive and enthusiasm are vitally important to the long-term success of our business. We succeed in the delivery of shareholder value because our people, individually, achieve the targets set for them. They source and acquire land; promote planning consents; acquire, develop, manage or sell investment properties; service constructors; and refurbish or construct buildings.

OUR DEVELOPMENT PORTFOLIO

We have an extensive geographical spread of some 30 opportunities within the UK, to develop or redevelop sites across the retail, leisure, office and industrial sectors. The current portfolio should allow us to maintain current activity levels for several years. In the current marketplace the acquisition of completed investments may give a better return than developments and are considered as an alternative to development.

STRATEGIC LAND BANK

At the year end we owned 1,679 acres and had interests in a further 5,956 acres through option or agency agreements which give us the right to promote a planning consent and share in the benefit created on ultimate disposal. This land bank may grow in future years and represents a significant future profit opportunity to the Group.

CONSTRUCTION ACTIVITIES

The construction business aims to work on an order book of between one and two years, though several of the Framework contracts it has won are spread over several years. Our plant hire business operates from six locations and has a modern, well maintained, fleet of assets servicing the construction sector. Furthermore, we operate our own delivery fleet to ensure that our customers' requirements are satisfied quickly. Our PFI asset is well established, cash generative and efficiently maintained and has 17 years remaining on the concession; furthermore the market for PFI assets remains reasonably strong even in these recessionary times.

ROBUST FINANCIAL POSITION

We have long established long-term relationships with our three key funding partners. The land bank and development opportunities are held at cost and the investment portfolio has been acquired largely from retained resources ensuring our gearing levels are prudent. We recognise that the recessionary phase of the cycle will require a different tactical approach and more intensive balance sheet management and we will manage our asset and cash positions to ensure gearing is held at prudent levels. In the longer-term we still aim to achieve high returns on capital employed and a healthy dividend cover level allowing for reinvestment in our activities to create improved shareholder returns.

JAMIE BOOT
GROUP MANAGING DIRECTOR
2 APRIL 2009

JOHN SUTCLIFFE
GROUP FINANCE DIRECTOR
2 APRIL 2009

DOUGLAS GREAVES
GROUP EXECUTIVE DIRECTOR
2 APRIL 2009

> **“In the long-term we aim to achieve high returns on capital employed, healthy dividend cover to create improved shareholder returns.”**

"The principles of safety management throughout the Group are based upon the identification of the inherent risks associated with our activities and the application of sensible and practical control measures that eliminate or reduce risk to an acceptable level."

HEALTH AND SAFETY: TOP OF THE AGENDA

Health and safety is at the top of the agenda in all the activities of Henry Boot companies. The following is the Henry Boot Safety Policy Statement, the key document setting out our health and safety philosophy and responsibilities:

Henry Boot PLC is committed to achieving excellence in safety, health and welfare management and recognises the key role this excellence plays in the successful and cost-effective management of the business. It is the policy to maintain a healthy and safe working environment for all our employees and any persons who may be affected by our assets and undertakings.

The principles of safety management throughout the Group of companies are based upon the identification of the inherent risks associated with our activities and the application of sensible and practical control measures that eliminate or reduce risk to an acceptable level.

To achieve the objectives of this policy, Henry Boot PLC and its subsidiary companies are required to:

- *implement and maintain management systems that ensure the effective planning, organisation, control, monitoring and review of health and safety measures;*
- *assess and manage the risks to the health and safety of our people and any others that may be affected by our undertakings;*
- *promote best working practices and standards of behaviour, which minimise the risk of injury and occupational ill health;*
- *set performance targets to achieve continuous improvement above and beyond statutory requirements relating to health and safety;*
- *identify individual responsibilities;*
- *provide the necessary resources to effectively manage health and safety; and*
- *identify training needs and provide health and safety training to industry and nationally recognised standards.*

In order to assist the achievement of these objectives all employees are required to be aware of and fulfil their responsibilities in maintaining a healthy and safe working environment.

The Group Safety Department will independently monitor compliance with this policy and audit activities against the documented procedures.

The Group Safety Manager will continuously review the policy and update it accordingly to reflect best practice, changes in legislation and new knowledge, such that it remains at its most effective.

We have a long-standing and well-respected department purely dedicated to health and safety, headed by a fully qualified and experienced health and safety manager, that is active in:

- advising on health and safety issues and policy;
- monitoring new legislation and ensuring it is properly disseminated and fully understood;
- compiling and updating the Group Safety Manual and associated documentation;
- inspecting and auditing the safety of building sites, offices, premises, physical assets and working practices;
- compiling statistics associated with health and safety matters and benchmarking them against recognised comparators;
- providing comprehensive health and safety training to all employees and ensuring that all training and knowledge is duly refreshed;
- making health and safety a separate top-of-the-agenda item for all company board meetings and management meetings and reported upon by the director of the company expressly responsible for health and safety matters; and

- striving for continuous improvement in health and safety performance. Our commitment to health and safety contributes to the success and efficiency of every project and activity which, in turn, contributes to client and customer satisfaction and repeat business.

We have always maintained a robust health and safety training programme in order to ensure that employees gain the requisite knowledge. Technical staff typically undertake the CITB Site Manager Safety Training Scheme, which we regard as the minimum qualification for project managers, while others take the National Examination Board in Occupational Safety and Health (NEBOSH) training modules.

OUR EMPLOYEES: THE FOREMOST ASSET

As we continue to emphasise, our employees are our most crucial resource and their loyalty and commitment, together with the ethos under which we work, provides Henry Boot with what is possibly a unique character, much admired and commented upon by those who join our organisation, and this results in a high level of long-standing and experienced employees.

In terms of facts and figures for 2008:

- we employed 639 people at 31 December 2008, a 4% increase on 31 December 2007;
- we recruited 124 people in the year;
- employee turnover equated to 11.13%. According to the Chartered Institute of Personnel & Development (CIPD), the 2008 turnover rate for the Construction sector was 18.5%;
- 7.2% of our employees worked part-time, compared to 6.4% for 2007;
- 17.5% of our employees were female, slightly lower than the 18.4% reported in 2007;
- 1.1% declared that they had a disability, against the 0.97% for 2007;
- 1.75% stated that they were from an ethnic minority, slightly higher than the 2007 figure of 1.6 %; and
- the average length of service with the Group is 7 years and 37.5% of our employees have more than 5 years' service.

Investing in our people is crucial to our ability to deliver our objectives and accordingly in the year under review:

- our 639 employees spent 845 days (753 days in 2007) on formal, off the job training, equivalent to 1.32 days (1.22 days in 2007) per full-time equivalent employee, in addition to the extensive on the job learning opportunities and coaching that is provided in the normal course of work;
- 30 (5%) of our employees were sponsored to start studying for professional qualifications;
- having previously signed the Government's 'Skills Pledge', which commits us to encouraging and supporting all employees to achieve at least a National Vocational Qualification (NVQ) at Level 2, a total of 9 NVQ 2s have been completed and 27 NVQ 2s are in progress; and
- we spent an average of £289 per employee on training and development (2007: £270) but generally in line with the median private sector spend per employee reported by the CIPD of £296 per employee.

During 2008, all employees were invited to participate in an employee survey as part of the 'Best Places to Work in Construction 2008' competition. As a result of the survey, we were delighted that both Hallam Land Management Limited and Henry Boot Developments Limited were short-listed for an award, following excellent employee responses to the survey. We regarded this as a valuable opportunity to gain an insight into our employees' perceptions and opinions of working for Henry Boot. It has since been decided to participate in the process again during 2009 in order to compare responses and to assess changes in employee perceptions and opinions and, where appropriate, to act on these.

> **"Investing in our people is crucial to our ability to deliver our objectives... 30 (5%) of our employees were sponsored to start studying for professional qualifications."**

> **We continued to be involved in a variety of community projects and charitable works at the local, national and international level during 2008.**

OUR EMPLOYEES: THE FOREMOST ASSET CONTINUED

Key elements of our employment policy are:

- to employ a workforce that reflects the diversity of our society;
- to provide equal opportunities for all employees, regardless of age, gender, race, religion, disability, nationality, sexual orientation and belief; and
- to recognise that effective employee communication and consultation are essential in achieving our business objectives. In this connection, information on the progress and activities of the Company and the external financial and economic factors affecting it, both from sources in the public domain and those published internally, are made readily available to employees in a variety of ways.

SUPPORTING GOOD CORPORATE GOVERNANCE

Details of the Company's corporate governance policies and its adherence to 'The Combined Code on Corporate Governance' issued by the Financial Reporting Council, are set out on pages 42 to 44.

INVOLVEMENT WITH COMMUNITIES AND CHARITIES

We continued to be involved in a variety of community projects and charitable works at local, national and international level during 2008.

At the local level, we very much interact with local communities as a result of our work in carrying out a variety of Decent Homes housing refurbishment programmes in Sheffield, Rotherham and Doncaster. As well as improving local homes, it is important to us to support such communities in a variety of ways. Examples of these include contributing to an Environmental Action Week on a number of Sheffield housing estates, which involved improving public spaces by planting shrubs and flowers, removing litter, recycling household waste, repairing benches and handrails, installing bird boxes and so forth. In a similar vein, we also helped to sponsor Activity Sheffield, which provided a week of fun activities for young people such as football, skateboarding and a BMX course. We also supported a similar scheme, Active Regen, in Rotherham. In another venture, we provided resources for local schoolchildren in Gleadless Valley in Sheffield to help them plant trees and improve their own school gardens. At Sheffield's Low Edges housing estate we supplied a new kitchen for its Terminus Café, a community-run meeting place vital to the neighbourhood. In Doncaster, where we work with St Leger Homes, we sponsored the local Tenants and Residents Annual Conference and contributed towards a new roof at Moorends Community centre. In Rotherham we have also installed kitchens at two community centres and carried out essential repairs to a local church. Elsewhere, we were also one of the sponsors of the 10th Derbyshire Young Achievers Awards which highlights the achievements of young people, often against incredible odds.

During the year we were delighted to become a Founder Supporter of the Grassroots Grants Endowment Challenge, which saw the creation of a permanent capital fund to support community and voluntary groups in South Yorkshire. Our sizeable donation has triggered an equal contribution from the Government-backed Office of the Third Sector, doubling our investment in the local community. The money raised will be used to support community groups tackling key social issues, such as anti-social behaviour, drug abuse, alcoholism and social isolation.

In addition to our long established Give-As-You-Earn Scheme, whereby all donations made by employees to their own chosen local, national and international charities are matched by the Company on a £1 for £1 basis, we also made a considerable number of donations to a range of organisations such as Yorkshire Wildlife Trust, Meir Heath Windmill Group, Emma Maltby Memorial Fund, Whirlow Hall Farm Trust and Sheffield Galleries and Museums Trust. A particular charity that caught the imagination of our dog-loving employees was Support Dogs, a national charity based in Sheffield, which provides highly-trained dogs to give practical support to disabled people in their everyday lives. A surprise visit by two of its dogs, aided by their handlers, to our head office was more than enough to persuade the Company to make a generous donation to its work.


Our charitable donations helped with the training of a Support Dog.


Lewis Munroe, Jobmatch Trainee of the Year, receives his award.

Presentation of snooker equipment at Dinnington Youth Club.

> **"Henry Boot Developments Limited is now at the forefront of the creation of sustainable buildings."**

INVOLVEMENT WITH COMMUNITIES AND CHARITIES CONTINUED

In support of local hospices, we were joint sponsors of a charity musical evening organised by the Sheffield Cutlers Company. Further afield, we were pleased to provide financial assistance for essential supplies for the Casa Nazaret orphanage at Puerto Plata in the Dominican Republic, which one of our employees, Kate Ribey, supports through personal visits and her own fundraising activities.

OUR ENVIRONMENTAL RESPONSIBILITIES

Effective environmental management is an essential feature in the operations of all Henry Boot companies. Our key commitments in this regard are to:

- protect and enhance the environment at large;
- mitigate any possible adverse impact upon the environment;
- continuously review and improve our working practices to protect the environment as far as is reasonably practicable;
- comply with the requirements of environmental legislation, regulations and best practice as a minimum standard;
- set objectives and targets to achieve greater effectiveness;
- provide employees with a high standard of awareness in environmental matters; and
- promote our environmental values to consultants, advisers, suppliers and all business contacts.

In recent years there has, of course, been much greater emphasis on the importance of environmental management and the creation of sustainable buildings. Henry Boot Developments Limited is now at the forefront of this approach with its proposed 585,000 sq ft 'Green Giant' distribution warehouse at Markham Vale Business Park in north Derbyshire. This will have a host of green credentials and these will include photovoltaic energy, as well as rainwater harvesting with the potential to save over a million litres of water a year. It has also been awarded an 'Excellent' BREEAM rating and will incorporate significant carbon emission reduction features. The 'green' features of this building are constantly under review as technology improves and when built will be state-of-the-art in this regard. The majority of the materials to be used have been selected from Category A of the Green Guide and the building will incorporate a high level of insulation. Indeed, Markham Vale is set to become one of the UK's greenest commercial developments with the proposed planting of 375,000 saplings over 700 acres and with an area of 150 acres to be used for short rotation coppice to provide wood fuel for some of the buildings on the development.

We have entered the Business in the Community Yorkshire and Humber Environment Index since 2003, achieving Construction Sector Leader in 2004, 2005 and 2006 for the implementation of good environmental management and practice. In 2008 the Index became more demanding and challenging to participants, sector awards were removed and replaced with an overall league table awarding the top performing companies with Bronze, Silver, Gold or Platinum status. Henry Boot PLC has achieved Bronze status in the overall league table. We aim to improve this in 2009 due to the continued development and implementation of the Carbon Management Plan for Henry Boot Construction (UK) Limited.

With the introduction of the Site Waste Management Plans Regulations in April 2008, affecting all construction projects worth more than £300,000, we have joined up with kitchen unit manufacturer, Rixonway Kitchens, which has set up a pioneering recycling scheme that cuts disposal costs, reduces the volume of waste sent to landfill and complies with the new law. Under this scheme, the tons of waste wood from our housing refurbishment contracts and from Rixonway's own operations is used to produce fuel for biomass energy generation and is also used in Yorkshire Water's sewerage filtration beds.

The Terminus Café at Low Edges, Sheffield, a local community facility, where we installed a new kitchen.

Ceremonial planting of the first of 375,000 saplings at our Markham Vale development.

The proposed Green Giant warehouse at Markham Vale will be a state-of-the-art sustainable building.

BOARD OF DIRECTORS

NON-EXECUTIVE CHAIRMAN

John Reis, MA, 71, was appointed a Non-executive Director in 1983 and became Non-executive Chairman in 1996. He manages substantial interests in farming and property. He is a member of the Audit and Remuneration Committees of the Board.

GROUP MANAGING DIRECTOR

Jamie Boot, 57, joined the Company in 1979 and was appointed to the Board in 1985. He became Group Managing Director in 1986. He is also responsible for the Group's construction and plant hire activities and is the Board member responsible for health and safety matters.

EXECUTIVE DIRECTOR

Douglas Greaves, 71, joined the Company in 1955 and was appointed to the Board in 1985. He is responsible for the Group's property development and land trading activities.

SUBSIDIARY COMPANY MANAGING DIRECTORS

HENRY BOOT DEVELOPMENTS LIMITED

David Anderson, BSc (Hons), MRICS, 42, started his career in a planning consultancy and then joined Henry Boot Developments Limited in 1990 as an Assistant Development Surveyor, rapidly rising to the position of Senior Development Surveyor. He was appointed a Director in 1996 and became Managing Director of the Company in 2005.

HENRY BOOT CONSTRUCTION (UK) LIMITED

Mick Mosley, MCIOB, 62, has spent virtually all his working life with Henry Boot, having originally joined the Company in 1963 as a Trainee Engineer and subsequently gained experience in all facets of the construction business. He is very much a product of its renowned development training programme and eventually progressed to the positions of Project Manager, Contracts Manager and Regional Manager. He was appointed a Director of Henry Boot Construction (UK) Limited in 2001 and became its Managing Director in 2005.

BANNER PLANT LIMITED

Giles Boot, BA (Hons), 49, joined the Henry Boot Group in 1982 and had a variety of management roles in Rothervale Trading Limited, the retail side of the then Group's door manufacturing business. Moving to Banner Plant Limited in 1988, he held a number of positions, including Depot Manager and Business Development Manager, before being appointed to its Board in 1995, becoming Managing Director in 2000.

HALLAM LAND MANAGEMENT LIMITED

Bob Brown, 60, joined the housing division of Henry Boot Construction Limited in 1975 as an Estimator. Subsequently qualifying as a Chartered Quantity Surveyor, he was appointed to the Board of Henry Boot Homes Limited in 1986. Along with Doug Greaves, he was instrumental in setting up Hallam Land Management Limited in 1989 and has been its Managing Director ever since. He is a former Chairman of the Midlands Region of the House Builders' Federation and is currently a member of the Governing Council of the National House-Building Council.

GROUP FINANCE DIRECTOR
John Sutcliffe, BA, ACA, 49, joined the Company and the Board in 2006 as Group Finance Director and Company Secretary. He previously held a similar role with Town Centre Securities PLC and prior to that was Finance Director of Abbeycrest plc.

NON-EXECUTIVE DIRECTOR
John Brown, FCCA, CTA, 64, was appointed to the Board in 2006 and is the Senior Non-executive Director. He was formerly the Chief Executive of Speedy Hire plc which he founded in 1977. He is also the Non-executive Chairman of Voller Energy Group PLC and of Norcros plc and Non-executive Director of Lookers plc, all London Stock Exchange listed companies. He also holds a number of other directorships. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

NON-EXECUTIVE DIRECTOR
Michael Gunston, FRICS, 65, was appointed to the Board in 2006 having retired as the Chief Surveyor of The British Land Company PLC where he worked for nearly 32 years. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

COMPANY ADVISERS

AUDITORS
Hawsons, Chartered Accountants
Pegasus House
463a Glossop Road
Sheffield S10 2QD

BANKERS
Barclays Bank PLC
2 Arena Court
Sheffield S9 2WH

Lloyds TSB Bank plc
14 Church Street
Sheffield S1 1HP

The Royal Bank of Scotland plc
5 Church Street
Sheffield S1 1HF

CORPORATE FINANCE
KPMG Corporate Finance
1 The Embankment
Neville Street
Leeds LS1 4DW

FINANCIAL PR
Citigate Dewe Rogerson
9 The Apex
6 Embassy Drive
Edgbaston
Birmingham B15 1TP

REGISTRARS
Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

SOLICITORS
DLA Piper UK LLP
1 St. Paul's Place
Sheffield S1 2JX

STOCKBROKERS
Evolution Securities Limited
Kings House
1 King Street
Leeds LS1 2HH

FINANCIAL CALENDAR

LONDON STOCK EXCHANGE ANNOUNCEMENTS
Preliminary Statement of Results 2008: 25 March 2009

First 2009 Interim Management Statement: early May 2009

Half-yearly Results 2009: end August 2009

Second 2009 Interim Management Statement: mid November 2009

Trading Update 2009: January 2010

ANNUAL REPORT AND FINANCIAL STATEMENTS 2008 AND HALF-YEARLY REPORT 2009 POSTED TO SHAREHOLDERS
Annual Report and Financial Statements 2008: by 20 April 2009

Half-yearly Report 2009: early September 2009

ANNUAL GENERAL MEETING
21 May 2009

DIVIDENDS PAID ON ORDINARY SHARES
2008 Final: 28 May 2009

2009 Interim: end October 2009

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and the audited Financial Statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES OF THE GROUP

The principal activities of the Group during the financial year were:

- Property – property development and property investment
- Land – land development
- Construction – construction, civil engineering, road maintenance under a PFI contract and plant hire
- Other – central services, head office administration and in-house leasing

RESULTS FOR THE YEAR AND DIVIDENDS

The results are set out in the Group Income Statement on page 50. The principal active subsidiary companies affecting the profit or net assets of the Group in the year are listed in note 30 to the Financial Statements.

The Directors recommend that a final dividend of 3.75p per ordinary share be paid on 28 May 2009 to ordinary shareholders on the register at the close of business on 15 May 2009. This, together with the interim dividend of 1.25p per ordinary share paid on 23 October 2008, will make a total dividend of 5.0p per ordinary share for the year ended 31 December 2008.

BUSINESS REVIEW

The review of the development and performance of the business of the Group during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 4 and 5 and the Business Review on pages 8 to 23.

The Group's policy in respect of financial instruments is set out within Accounting Policies on page 56 and details of credit risk, liquidity risk, capital risk management and cash flow risk are given respectively in notes 15, 20, 21 and 20 to the Financial Statements.

SHARE CAPITAL

Details of the Company's issued share capital during the year are set out in note 27 to the Financial Statements.

The Notice of the Annual General Meeting (AGM) on pages 75 and 76 includes the following resolutions:

- an ordinary resolution (Resolution 7) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,341,479 being 33.33% of the Company's issued ordinary share capital at 18 March 2009. The authority will expire on 20 May 2014 but it is the present intention of the Directors to seek annual renewal of this authority. The Directors do not have any present intention of exercising the authority;
- a special resolution (Resolution 8) to enable the Directors to continue to allot equity securities for cash in connection with a rights or other issue pro rata to the rights of the existing shareholders but subject to certain exceptions, and for any other purpose provided that the aggregate value of such allotments does not exceed £650,000 (4.99% of the Company's issued ordinary share capital at 18 March 2009). The authority will expire on 20 May 2014 but it is the present intention of the Directors to seek annual renewal of this authority; and
- a special resolution (Resolution 9) to renew the authority of the Company to make market purchases of up to 11,055,000 of its own issued ordinary shares (8.48% of the Company's issued share capital at 18 March 2009). The minimum price that may be paid under the authority for an ordinary share is 10p and the maximum price is limited to not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Directors will exercise the authority only if they are satisfied that it would be likely to result in an increase in expected earnings per share of the ordinary share capital in issue and that any purchase will be in the interests of the shareholders. If the Directors do decide to exercise the authority, ordinary shares so acquired will either be cancelled or held as treasury shares, depending upon the circumstances prevailing at the time.

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Notice of the AGM on pages 75 and 76 also includes a special resolution (Resolution 6) which proposes amendments to the current Articles of Association of the Company to take account of provisions of the Companies Act 2006 ('2006 Act') relating to directors' conflicts of interests which were implemented on 1 October 2008, and which are summarised in the paragraphs below. Due to the phased nature of implementation of the 2006 Act, it is likely that further changes to the Company's Articles of Association will be proposed at a later AGM.

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation.

Section 175(5)(b) of the 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest so that the relevant company's directors may avoid breaching their duties. The amended Articles of Association of the Company would give the Directors authority to approve conflicts and potential conflicts of interest and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only independent Directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the amended Articles of Association of the Company should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors as set out above.

The full text of the proposed amendments to the current Articles of Association is as follows:

Delete Article 91 and insert the following new articles as Articles 91, 91A and 91B:

91. Directors' interests and voting

(1) Subject to compliance with article 91B, a director, despite his office:

- *(a) may enter into or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;*
- *(b) (except that of auditor or auditor of a subsidiary of the Company) may hold any other office or place of profit under the Company in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a director;*
- *(c) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise (directly or indirectly) interested or as regards which the Company has any powers of appointment; and*
- *(d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, transaction or arrangement and no such transaction or arrangement shall be avoided on the grounds of any such interest or benefit.*

(2) Save as provided in this article 91, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the directors concerning any contract, transaction or arrangement or any other proposal, in which he (or any person connected with him as detailed in article 91(8)) is interested.

AMENDMENTS TO ARTICLES OF ASSOCIATION CONTINUED

(3) Subject to the provisions of the Statutes, a director shall (in the absence of some other interest than is set out below) be entitled to vote, and be counted in the quorum, in respect of any resolution concerning any contract, transaction or arrangement, or any other proposal:

(a) in which he has an interest of which he is not aware;

(b) in which he has an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;

(c) in which he has an interest only by virtue of interests in shares, debentures or other securities of the Company, or by reason of any other interest in or through the Company;

(d) which involves the giving of any guarantee, security or indemnity in respect of:

(i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or

(ii) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(e) concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities; or in the underwriting or sub-underwriting of which the director is to participate;

(f) concerning any other body corporate in which he (and any person connected with him) has a direct or indirect interest of any kind (including an interest by holding any position, or by holding an interest in shares, in that body corporate), provided that he (and any person connected with him) does not hold an interest in shares (within the meaning set out in sections 820–825 of the Companies Act 2006) representing one per cent or more of either any class of equity share capital, or the voting rights, in such body corporate (excluding any shares of that class, or any voting rights attached to shares, which are held as treasury shares);

(g) relating to an arrangement for the benefit of the employees or former employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees or former employees to whom such arrangement relates;

(h) relating to the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved or is conditional upon approval by, HM Revenue & Customs for taxation purposes; or

(i) concerning:

(i) insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors; or

(ii) indemnities in favour of directors; or

(iii) the funding of expenditure by one or more directors on defending proceedings against such director or them or doing anything to enable such director or directors to avoid incurring such expenditure.

(4) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each director. In such case, each of the directors concerned (if not otherwise debarred from voting under this article 91) shall be entitled to vote (and be counted in the quorum) in respect of each resolution, except that concerning his own appointment.

(5) If any question arises at any meeting as to whether any interest of a director prevents him from voting or being counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting. The chairman of the meeting's ruling in relation to the director concerned (other than himself) shall be final and conclusive (except where it subsequently becomes apparent that the nature or extent of the interests of the director concerned have not been fairly disclosed).

(6) If any question arises at any meeting as to whether any interest of the chairman of the meeting prevents him from voting or being counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by resolution of the directors or committee members present at the meeting (excluding the chairman). The majority vote of the directors or committee members shall be final and conclusive (except where it subsequently becomes apparent that the nature or extent of the interests of the chairman of the meeting have not been fairly disclosed).

AMENDMENTS TO ARTICLES OF ASSOCIATION CONTINUED

(7) Subject to the provisions of the Statutes, the Company may by ordinary resolution suspend or relax the provisions of this article 91, either generally or in respect of any particular matter, or ratify any transaction not duly authorised by reason of a contravention of this article 91.

(8) For the purposes of this article 91:

(a) sections 252–255 of the Companies Act 2006 shall be applied to determine whether a person is connected with a director;

(b) an interest of a person who is connected with a director shall be treated as an interest of the director;

(c) in relation to an alternate, an interest of his appointor shall be treated as an interest of the alternate, in addition to any interest which the alternate otherwise has; and

(d) without prejudice to article 91(8)(c), the provisions of this article 91 shall apply to an alternate director as if he were a director otherwise appointed.

(9) The board may cause the voting rights conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of that other company to be exercised in such manner in all respects as it thinks fit (including the exercise of voting rights in favour of any resolution appointing the directors or any of them as directors or officers of the other company or voting or providing for the payment of any benefit to the directors or officers of the other company).

(10) The board may purchase and maintain for or for the benefit of any person who holds or has at any time held a relevant office insurance against any liability incurred by him in respect of any act or omission in the actual or purported discharge of his duties or in the exercise or purported exercise of his powers or otherwise in relation to his holding of a relevant office; and for this purpose "relevant office" means that of director, officer, employee or auditor in relation to the Company or any company which is or was a subsidiary of or associated with the Company or any predecessor in business of the Company or any such subsidiary or associated company, or that of trustee of any pension fund or retirement, death or disability scheme for the benefit of any employee of the Company or any such subsidiary or associated company.

91A. Authorisation of directors' conflicts of interest

(1) For the purposes of this article 91A and article 91B:

"Relevant Situation" means a situation or matter in which a director has a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including, without limitation, in relation to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it) but excludes (i) any situation or matter which cannot reasonably be regarded as likely to give rise to a conflict of interest and (ii) any conflict of interest arising in relation to a transaction or arrangement with the Company;

"Interested Director" means, in relation to any Relevant Situation, any director interested in that Relevant Situation; and

any reference to a conflict of interest includes a conflict of interest and duty and a conflict of duties.

(2) The directors shall have the power to authorise any Relevant Situation on such terms as they determine. Such authorisation shall be effective only if:

(a) any requirement as to the quorum at the meeting of the directors at which the Relevant Situation is considered is met without counting the Interested Director(s); and

(b) any resolution authorising the Relevant Situation was agreed to without the Interested Director(s) voting or would have been agreed to if the votes of the Interested Director(s) had not been counted.

(3) Any terms determined by the directors under article 91A(2) may be imposed at the time of authorisation or may be imposed or varied subsequently and may include (without limitation):

(a) whether the Interested Director(s) may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;

(b) the exclusion of the Interested Director(s) from all information and discussion by the Company of the Relevant Situation; and

(c) (without prejudice to the general obligations of confidentiality) the application to the Interested Director(s) of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the Relevant Situation.

AMENDMENTS TO ARTICLES OF ASSOCIATION CONTINUED

(4) An Interested Director must act in accordance with any terms determined by the directors under article 91A(2).

(5) Except as specified in article 91A(2), any proposal made to the directors and any authorisation by the directors in relation to a Relevant Situation shall be dealt with in the same way as any other matter may be proposed to and resolved upon by the directors in accordance with the provisions of these articles.

(6) Any authorisation of a Relevant Situation given by the directors under article 91A(2) may provide that, where the Interested Director obtains (other than through his position as a director) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.

(7) A director shall not, by reason of his holding office as a director (or of the fiduciary relationship established by holding that office), be liable to account to the Company for any remuneration, profit or other benefit resulting from any Relevant Situation authorised under article 91A(2) and no contract shall be liable to be avoided on the grounds of any director having any type of interest authorised under article 91A(2), nor shall the receipt of any such remuneration, profit or other benefit constitute a breach of his duty under section 176 of the Companies Act 2006.

91B. Provisions applicable to declarations of interest

(1) An Interested Director shall declare the nature and extent of his interest in a Relevant Situation to the other directors.

(2) A director who is in any way (directly or indirectly) interested in any proposed transaction or arrangement with the Company shall declare the nature and extent of his interest to the other directors.

(3) A director who is in any way (directly or indirectly) interested in a transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his interest to the other directors unless the interest has been declared under article 91B(2).

(4) The declaration of interest must (in the case of article 91B(3)) and may, but need not (in the case of article 91B(1) or 91B(2)) be made:

(a) at a meeting of the directors; or

(b) by notice to the directors in accordance with section 184 or section 185 of the Companies Act 2006.

(5) If a declaration of interest proves to be, or becomes, inaccurate or incomplete, a further declaration must be made.

(6) Any declaration of interest required by article 91B(1) must be made as soon as is reasonably practicable.

(7) Any declaration of interest required by article 91B(2) must be made before the Company enters into the transaction or arrangement.

(8) Any declaration of interest required by article 91B(3) must be made as soon as is reasonably practicable. Failure to comply with this requirement does not affect the underlying duty to make the declaration.

(9) A declaration in relation to an interest of which the director is not aware is not required. For this purpose, a director is treated as being aware of matters of which he ought reasonably to be aware.

(10) A director need not declare an interest:

(a) if it cannot reasonably be regarded as likely to give rise to a conflict of interest;

(b) if, or to the extent that, the other directors are already aware of it (and for this purpose the other directors are treated as aware of anything of which they ought reasonably to be aware); or

(c) if, or to the extent that, it concerns terms of his service contract that have been or are to be considered by a meeting of the directors or by a committee of the directors appointed for the purpose under the articles.

DIRECTORS

J S Reis, E J Boot, D Greaves, J T Sutcliffe, J E Brown and M I Gunston held office as Directors throughout 2008. Their biographical details are shown on pages 30 and 31.

In accordance with the Articles of Association of the Company, M I Gunston and J T Sutcliffe will retire by rotation at the forthcoming AGM and offer themselves for re-appointment.

At no time during the year has any Director had any interest in any significant contract with the Company.

DIRECTORS' INTERESTS

The interests of Directors in the share capital of the Company, other than with respect to options to acquire ordinary shares, were:

	At 31 December 2008		At 1 January 2008	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
J S Reis				
Ordinary	**6,976,185**	**20,585,430**	6,976,185	20,585,430
Preference	**3,259**	**8,167**	3,259	8,167
E J Boot				
Ordinary	**5,665,037**	**597,830**	5,564,105	597,830
Preference	**14,753**	**—**	14,753	—
D Greaves				
Ordinary	**398,970**	**—**	414,360	—
J T Sutcliffe				
Ordinary	**65,000**	**—**	40,000	—
J E Brown				
Ordinary	**15,000**	**—**	15,000	—
M I Gunston				
Ordinary	**23,000**	**—**	13,000	—

Between 31 December 2008 and 18 March 2009, being a date not more than one month prior to the date of the Notice of the AGM, there have been no changes in the beneficial and non-beneficial interests of any Director.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 45, 47 and 48.

DIRECTORS' INDEMNITY

Subject to the provisions of and to the extent permitted by relevant statutes, under the Articles of Association of the Company, the Directors and Officers throughout the year were indemnified out of the assets of the Company against liabilities incurred by them in the course of carrying out their duties or the exercise of their powers.

MAJOR SHAREHOLDER NOTIFICATIONS

Excluding Directors, at 18 March 2009, being a date not more than one month prior to the date of the Notice of the AGM, the following information had been disclosed to the Company in accordance with the requirements of Chapter 5 of the Disclosure Rules and Transparency Rules:

	Voting rights over ordinary shares	
	Number	% of issued
Rysaffe Nominees	20,382,000	15.65
FMR Corp/FIL Limited	19,466,383	14.94
Hermes Specialist UK Focus Fund	9,331,720	7.16
J P Morgan Asset Management (UK) Limited	7,015,787	5.39
The Fulmer Charitable Trust	5,739,580	4.41

Rysaffe Nominees and J J Sykes are joint registered holders on behalf of various Reis family trusts, whose holdings are also included under the beneficial and non-beneficial interests of J S Reis.

The holding of The Fulmer Charitable Trust, a registered charity, is also included under the non-beneficial interests of J S Reis in his capacity as a trustee.

GOING CONCERN

The Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

EMPLOYEES

Details of the Company's policy on equal opportunities for disabled employees and on employee involvement are set out in the 'Our Employees' section of the Corporate Social Responsibility report on page 26.

HEALTH AND SAFETY

The Group recognises the importance of its employees working in a healthy and safe environment and its responsibilities to clients, visitors, contractors, tenants, members of the public and anyone who comes into contact with our operations. Further information is provided in the Corporate Social Responsibility report on pages 24 and 25.

SUPPLIER PAYMENT POLICY

The Group's policy is for all companies within the Group to agree terms and conditions with their suppliers and subcontractors. Payments are then generally made on the basis of this agreement, providing the suppliers and subcontractors conform with the terms and conditions stipulated. At 31 December 2008 the Company had an average of 30 days' purchases outstanding in trade creditors.

CHARITABLE DONATIONS

Donations for charitable purposes totalled £56,818 (2007: £39,017). Details of some of the charities supported are set out in the Corporate Social Responsibility report on pages 26 to 28. There were no political donations in either year.

CLOSE COMPANY STATUS

So far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The Directors of the Company who held office at the date of approval of this Annual Report each confirm that:

- so far as they are aware, there is no relevant audit information (information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ADDITIONAL INFORMATION FOR SHAREHOLDERS

Following the implementation of the EU Takeover Directive in the UK, the following description provides the required relevant information for shareholders where not already provided elsewhere in these Financial Statements. This description summarises certain provisions of the current Articles of Association of the Company (as adopted by special resolution on 22 May 1992 and amended by special resolution on 19 May 2006) (the 'Articles') and applicable English law concerning companies (the Companies Act 1985 (as amended) and the Companies Act 2006, together the 'Companies Acts'). This is a summary only and the relevant provisions of the Companies Acts or the Articles should be consulted if further information is required.

SHARE CAPITAL

The Company's issued share capital comprises two classes of shares being, respectively, ordinary shares of 10p each ('ordinary shares') and cumulative preference shares of £1 each ('preference shares'). Further details of the share capital of the Company are set out in note 27 to the Financial Statements. As at 18 March 2009, the ordinary shares represent approximately 97% of the total issued share capital of the Company by nominal value and the preference shares represent approximately 3% of such total issued share capital. The ordinary shares and the preference shares are in registered form.

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

Subject to the Companies Acts and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of Directors for the time being of the Company ('Board') may decide. Subject to the Companies Acts, the Articles and any resolution of the Company, the Board may deal with any unissued shares as the Board may decide.

RIGHTS OF PREFERENCE SHARES

The preference shares carry the following rights in priority to the ordinary shares but carry no further right to participate in profits or assets:

- the right to receive out of the profits of the Company a fixed cumulative preferential dividend at the rate of 5.25% per annum on the capital paid up thereon;
- the right on a return of assets on a winding up to payment of the capital paid up thereon together with a sum calculated at the rate of 6.00% per annum in respect of any period up to the commencement of the winding up for which such preferential dividend as referred to above has not been paid; and
- the right on a return of assets in a reduction of capital to repayment of the capital paid up thereon together with a sum equal to all arrears (if any) of such preferential dividend as referred to above.

The preference shares shall not confer on the holders of them any right to receive notice of or to be present or to vote at any general meeting (as defined in the Articles) unless either:

- a resolution is proposed directly affecting the rights or privileges of the holders of the preference shares as a separate class; or
- at the date of the notice convening the general meeting the fixed cumulative preferential dividend provided in the Articles shall be in arrears for more than six months.

VOTING

Under and subject to the provisions of the Articles and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every member present in person shall have one vote and on a poll every member who was present in person or by proxy shall have one vote for every share of which he is the holder. Under the Companies Acts, members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

RESTRICTIONS ON VOTING

A member shall not be entitled to vote at any general meeting or class meeting in respect of any shares held by him unless all calls and other sums presently payable by him in respect of that share have been paid. In addition, holders of default shares (as defined in the Articles) shall not be entitled to vote during the continuance of a default in providing the Company with information concerning interests in those shares required to be provided (following relevant notification) under the Companies Acts.

DEADLINES FOR VOTING RIGHTS

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 21 May 2009 are set out in the Notice of AGM on pages 75 and 76 of these Financial Statements.

DIVIDENDS AND DISTRIBUTIONS

The Company may, by ordinary resolution, declare a dividend to be paid to the members but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company justifies its payment in the opinion of the Board. If the Board acts in good faith, none of the Directors shall incur any liability to the holders of shares with preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on other shares.

WINDING UP

Under the Articles, if the Company is in liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other authority required by the Statutes (as defined in the Articles):

- divide among the members in specie the whole or any part of the assets of the Company and, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members; or
- vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like sanction, shall think fit.

VARIATION OF RIGHTS

The Articles specify that the special rights attached to any class of shares may either with the consent in writing of holders of three fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of such holders (but not otherwise) be modified or abrogated.

TRANSFER OF SHARES

Under and subject to the restrictions in the Articles, any member may transfer all or any of his shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share not fully paid up or any transfer of a share on which the Company has a lien. The Board may also refuse to register any transfer unless it is:

- in respect of only one class of shares;
- in favour of no more than four transferees;
- left at the office or at such other place as the Board may decide for registration; and
- accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his right to transfer the shares.

The Articles also provide that nothing in them shall preclude title to any securities of the Company being recorded other than in writing in accordance with such arrangements as made from time to time be permitted by the Statutes and approved by the Board.

REPURCHASE OF SHARES

Subject to the provisions of the Statutes and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

AMENDMENT OF ARTICLES OF ASSOCIATION

Any amendments to the Articles may be made in accordance with the provisions of the Companies Acts by way of special resolution.

ADDITIONAL INFORMATION FOR SHAREHOLDERS CONTINUED

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three nor more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for re-appointment. The Board may appoint one or more Directors to hold any office or employment under the Company for such period (subject to the Statutes) and on such terms as it may decide and may revoke or terminate any such appointment. At each AGM any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM one-third of the Directors who are subject to retirement by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third, shall retire from office. In addition, there shall also be required to retire by rotation any Director who at any AGM of the Company shall have been a Director at each of the preceding two AGMs of the Company, provided that he was not appointed or re-appointed at either such AGM and he has not otherwise ceased to be a Director and been re-appointed by general meeting of the Company at or since either such AGM.

The Company may by extraordinary resolution, or by ordinary resolution of which special notice has been given in accordance with the Statutes, remove any Director before his period of office has expired notwithstanding anything in the Articles or in any agreement between him and the Company. A Director may also be removed from office by the service on him of a notice to that effect signed by or on behalf of all the other Directors, being not less than three in number. The office of a Director shall be vacated if:

(i) he is prohibited by law from being a Director; or

(ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally; or

(iii) he is or may be suffering from mental disorder as referred to in the Articles; or

(iv) for more than six months he is absent, without special leave of absence from the Board, from meetings of the Board held during that period and the Board resolves that his office be vacated; or

(v) he serves on the Company notice of his wish to resign.

POWERS OF THE DIRECTORS

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Statutes, the Memorandum of Association of the Company, the Articles and any ordinary resolution of the Company. The Articles specify that the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets and uncalled capital and to issue debentures and other securities, subject to the provisions of the Articles.

INFORMATION RIGHTS

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, rather than to the Company's registrar, Capita Registrars, or to the Company directly.

INDEPENDENT AUDITORS

The auditors, Hawsons, have signified their willingness to remain in office and a resolution re-appointing them as auditors and authorising the Directors to fix their remuneration will be proposed at the AGM.

On behalf of the Board

J T SUTCLIFFE
COMPANY SECRETARY
2 APRIL 2009

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union . In preparing these Financial Statements, the Directors have also elected to comply with IFRS, issued by the International Accounting Standards Board (IASB). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Financial Statements comply with IFRS as adopted by the European Union; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are also required by the Disclosure and Transparency Rules of the Financial Services Authority to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and Company.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 1985 and as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES

Each of the Directors, whose names and functions are listed on pages 30 and 31, confirm that, to the best of each person's knowledge and belief:

- the Financial Statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company respectively; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the Group website, www.henryboot.co.uk. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

E J BOOT
DIRECTOR
2 APRIL 2009

J T SUTCLIFFE
DIRECTOR
2 APRIL 2009

The Board continues to support and remain committed to high standards of corporate governance. However, it believes that such governance must reflect the unique nature of the Company, the composition of its shareholders, many of whom have strong family ties, as well as other stakeholders' interests and, above all, must assist in the effective attainment of corporate objectives.

The Directors take comfort in the fact that 'The Combined Code on Corporate Governance' issued by the Financial Reporting Council (the Code) recognises that not all of the provisions are necessarily relevant to smaller listed companies and those who wish to evaluate the Company's corporate governance are reminded that the Code states that departures from its provisions should not automatically be treated as breaches.

In applying the principles of the Code, the corporate governance policies adopted by the Board broadly follow the Code's guidelines in so far that they assist the overall well being of the Company and its shareholders' interests. Pragmatism also constitutes a very important element in the Board's approach and adoption of all the supporting principles of the Code is not an objective per se.

The Listing Rules require companies to make a disclosure statement in two parts in relation to the Code as follows:

PART 1: THE APPLICATION OF THE PRINCIPLES OF THE CODE

A. DIRECTORS

1. THE BOARD

Details of the Directors of the Company are set out in the Directors' Report on page 36 and their biographical details are set out on pages 30 and 31. J E Brown is the Senior Non-executive Director.

The main strategy of the Company is set by the Board as a whole, after consultation with, and assessment of, principal stakeholders' objectives. The Board retains a Schedule of Reserved Matters which is reviewed annually to ensure that strategy and key elements that might affect the implementation of corporate goals are adhered to.

Those serving as members of the Audit Committee throughout 2008 were J E Brown (Chairman), M I Gunston and J S Reis. The Committee met three times during the year, with the Company's auditors in attendance, during which it reviewed, amongst other matters, the Half-yearly and Annual Reports, the review of internal controls, the annual management report of the auditors, the level of fees charged by the auditors for non-audit services, the independence and objectivity of the auditors and the proposed nature and scope of their work before the audit commenced. Details of fees paid for non-audit services are set out in note 3 to the Financial Statements. The level of these fees and the services provided are reviewed by the Committee to ensure that they do not threaten auditor objectivity and independence.

Those serving as members of the Remuneration Committee in 2008 were M I Gunston (Chairman), J E Brown and J S Reis. E J Boot attended in an advisory and supportive role. The Committee met twice in the year to review the Executive Directors' performance, levels of pay, bonuses, Long-Term Incentive Plan (LTIP) grants and to consider other remuneration and employment matters as deemed appropriate from time to time.

All the Directors attended the seven Board meetings, the three Audit Committee meetings, the two Remuneration Committee meetings and the AGM held during the year of which they were entitled to attend, with the exception of M I Gunston who was unable to attend one Board meeting.

2. CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Non-executive Chairman, J S Reis, and the Managing Director, E J Boot, are clearly defined and they act in accordance with the main and supporting principles of the Code.

3. BOARD BALANCE AND INDEPENDENCE

J E Brown and M I Gunston are the independent Non-executive Directors and, with the Company as a 'smaller company' defined by the Code, they meet the requirement for having two such Directors. J S Reis, who has served as Chairman since 1996, is not deemed to be independent. He has a significant shareholding in the Company and has family ties with E J Boot, the Managing Director, as well as with other shareholders. However, this is seen in a positive light as obviously he aligns his interests with that of the Company's ongoing success.

4. APPOINTMENTS TO THE BOARD

There is currently no formal Nominations Committee. The last appointments to the Board were made in 2006, of J E Brown and M I Gunston as Non-executive Directors and of J T Sutcliffe as Finance Director and Company Secretary, and were dealt with by the then Board as a whole.

5. INFORMATION AND PROFESSIONAL DEVELOPMENT

All Directors are offered the opportunity and are encouraged to continue their professional development and update their commercial and company knowledge as required. All have access to the Company Secretary and there is in place a written procedure for all Directors to take independent professional advice.

PART 1: THE APPLICATION OF THE PRINCIPLES OF THE CODE CONTINUED

A. DIRECTORS CONTINUED

6. PERFORMANCE EVALUATION

The Executive Directors' performance is reviewed by the Remuneration Committee to ensure that they continue to contribute effectively to the Group's overall objectives. The Non-executive Directors' performance and commitment is kept under review throughout the year by the Executive Directors.

During the year each member of the Board undertook a formal written evaluation of the performance of the Board as a whole and the outcome of these evaluations was collated and presented to the Board for further consideration. A number of action points were identified to strengthen the effectiveness of the Board.

7. RE-ELECTION

All Directors are required to be re-elected at intervals of no more than three years and newly appointed Directors are subject to election at the AGM following their appointment.

B. REMUNERATION

1. THE LEVEL AND MAKE-UP OF REMUNERATION; AND
2. PROCEDURE

Details of the work of the Remuneration Committee and the policies and procedures adopted with regard to Directors' remuneration are set out in the Directors' Remuneration Report on page 45.

C. ACCOUNTABILITY AND AUDIT

1. FINANCIAL REPORTING

Details of the Directors' Responsibilities and the Directors' Responsibility Statement are contained on page 41. The Independent Auditors' Report is given on page 49.

The Directors' statement in respect of the business as a 'going concern' is provided in the Directors' Report on page 37.

2. INTERNAL CONTROL

The Board operates and maintains a system of internal controls which is reviewed regularly for its effectiveness and which broadly accords with the Turnbull Committee guidance thereon. Whilst the system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Company's business objectives, it can only provide reasonable, not absolute, assurance against material misstatement or loss. The system is, and has been, an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. It has been in place for the year under review and up to the date of the approval of the Annual Report.

The following key processes are considered by the Board to provide effective management of significant risks to the business:

- the business organisation and structured reporting framework – each of the Company's activities is monitored through bi-monthly management meetings and formal bi-monthly subsidiary company board meetings. The latter are attended by all the Board's Executive Directors and chaired by the respective Board Executive Director with direct responsibility for that activity. Formal lines of responsibility and levels of authority are in place within each subsidiary company. Annual plans, budgets (with two out-post years) and performance criteria for each business are set by the Executive Directors and performance against these targets is reviewed monthly by the Board. Out-turn forecasts are produced each quarter. Operations on the ground are also monitored frequently by way of visits to sites, depots, properties and regional offices by the Executive Directors;
- centralised operations – specific risks and compliance issues associated with health and safety, treasury and banking operations, company secretarial, pensions, legal, human resources and training, public and investor relations, information communication technology and insurance are managed centrally and report functionally to the appropriate Executive Director responsible for that particular operation. Each operation reviews its own system of internal controls and reports twice a year to the Audit Committee;
- business procurement – development appraisals, land purchases, options and construction contracts above a certain value require the authority of the Executive Directors to proceed. A strict routine covering the authorisation of capital expenditure is in place and Board approval is required for any corporate acquisition or disposal; and
- day-to-day operations – responsibility for running the day-to-day operations and for reviewing the associated systems of control is devolved to each subsidiary company Managing Director. Policy and procedure manuals cover major areas of their operations, including safety, purchasing, estimating, marketing, production and quality. The subsidiary company Managing Directors review and report to the Audit Committee on the effectiveness of the systems of internal control in place and any matters of concern are raised at Board meetings.

PART 1: THE APPLICATION OF THE PRINCIPLES OF THE CODE CONTINUED

C. ACCOUNTABILITY AND AUDIT CONTINUED

3. AUDIT COMMITTEE AND AUDITORS

The terms of reference of the Audit Committee fully incorporate the Combined Code provisions in relation to the role and responsibilities of Audit Committees and are available for inspection at the Company's registered office.

Past experiences of using a formally appointed internal audit function have not resulted in added value to the business, although this is reviewed annually.

D. RELATIONS WITH SHAREHOLDERS

1. DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS

The Company is active in communicating with its thousand or so private and institutional shareholders and likewise receives feedback from them. It is this close relationship with shareholders which is seen as one of the particular strengths and characteristics of the Company. During the year a number of formal presentations were made by members of the Board to institutional shareholders. Our website is used to aid a two-way communication process with both present and potential investors and includes all London Stock Exchange announcements, presentations to analysts and press releases over the last twelve months and links to the websites of our four principal operating subsidiaries.

2. CONSTRUCTIVE USE OF AGM

The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2008 proxies were received representing 70% of the number of shares in issue and is a demonstration of shareholder activism which has been at this level for a considerable number of years.

PART 2: COMPLIANCE WITH THE PROVISIONS OF THE CODE

The Company has complied with the vast majority of the provisions of the June 2006 version of the Code but has not complied in full or in part with the following during the year:

A.1.2, A.4.1, A.4.2, A.4.3, A.4.6

There is no Nominations Committee in place as the Board as a whole deals with the appointment of any new Directors.

A.1.3

It is not felt that separate formal meetings of purely Non-executive Directors are of particular value, although they do meet informally. The performance of the Chairman is appraised by the Executive Directors, as are the other Non-executive Directors.

A.7.2

The Chairman, J S Reis, who has served longer than nine years as a Non-executive Director, is not subject to annual re-election. The Board's view is that re-election every three years is still appropriate in view of his connections with the Company.

B.1.1

This provision refers to Schedule A of the Code and Clause 6 of the Schedule states that, in general, only basic salary should be pensionable. This is contrary to precedents established within the Company prior to the introduction of the Code and any change therein would have contractual implications in the case of E J Boot. Following contractual negotiations with E J Boot this situation will change towards compliance in 2010.

B.2.1

The Chairman is a member of the Remuneration Committee, notwithstanding the fact that he was not considered independent at the time of his appointment as Chairman. However, his appointment as Chairman took place when the Code was not in place. The view is that he has a valuable role to play on this Committee.

B.2.2, B.2.3

With the Chairman as a member of the Remuneration Committee, along with the other two Non-executive Directors, their remuneration is set by the Executive Directors.

DIRECTORS' REMUNERATION REPORT

The Directors present the Directors' Remuneration Report for the year ended 31 December 2008. A resolution to approve the Report will be proposed at the Company's AGM. The auditors are required to report to the shareholders on the audited section of the Report and to state whether in their opinion it has been prepared in accordance with the Companies Act 1985. The Report therefore has separate sections containing unaudited and audited information.

UNAUDITED SECTION

REMUNERATION COMMITTEE

The remuneration of the Executive Directors is fixed by the Remuneration Committee which during the year comprised the three Non-executive Directors, namely M I Gunston (Chairman), J E Brown and J S Reis, with the Managing Director, E J Boot, in attendance.

The Executive Directors, E J Boot, J T Sutcliffe and D Greaves, determine the remuneration of the Non-executive Directors.

To assist the Directors in determining the appropriate policy and levels of remuneration, reference is made, in addition to comparisons of policies with peer companies, to external publications, including the Income Data Services Limited Executive Compensation Review.

REMUNERATION POLICY

The Company's policy on Directors' remuneration is to ensure that the Directors are competitively rewarded on a basis that is comparable with similar companies, taking into account the need to attract, motivate and retain Directors of an appropriate calibre to achieve the Company's objectives, without making excessive payments. Directors' basic salaries and benefits are reviewed annually taking into account individual performance, the recommendations of the Group Managing Director and published remuneration information. Benefits include the provision of a Company car or a cash allowance alternative, permanent health insurance and private medical insurance. The value of benefits is not pensionable and is set out for each Director in the Directors' remuneration table.

Non-executive Directors are remunerated on the basis of their anticipated time commitment and the responsibilities entailed in their role. There are no service agreements in place for the Non-executive Directors and they do not participate in any of the Company's incentive arrangements. Newly appointed Non-executive Directors are expected to serve at least an initial period of three years. Terms and conditions relating to Non-executive Directors are available for inspection.

E J Boot and D Greaves each have a one year rolling service agreement. J T Sutcliffe does not have a service agreement. His terms and conditions of employment are set out in his contract of employment and include a one year notice period. Termination of these agreements would therefore be subject to their contractual terms and conditions.

The Executive Directors participate in an annual bonus scheme. This is calculated by reference to pre-tax profits achieved in the year, compared with budget, and as recommended by the Remuneration Committee. The annual bonus payable to E J Boot is partly pensionable, but for all other Executive Directors the bonus is not pensionable.

The Executive Directors participate in the Henry Boot PLC 2000 Sharesave Scheme. The scheme was approved by shareholders and is subject to HMRC rules. A grant of options was made on 1 November 2006 at an exercise price of 155.4p, a 15% discount to the prevailing market price. A further grant of options was made on 22 October 2008 at an exercise price of 77p, a 10% discount to the prevailing market price. There are no performance criteria attached to the exercise of these options which are capable of exercise for a six month period three years from the date of grant.

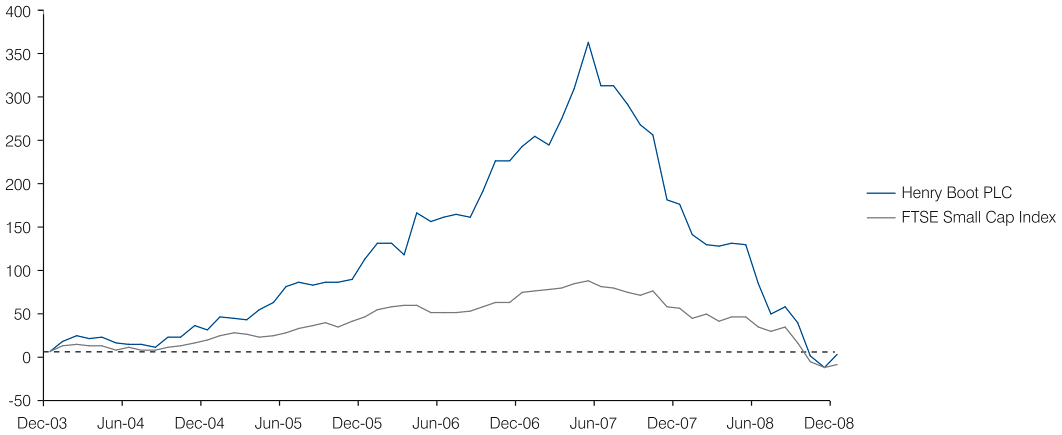
The Executive Directors have participated in the 1996 Henry Boot PLC Long-Term Incentive Plan, which was introduced in 1996 and which was subsequently replaced by the Henry Boot 2006 Long-Term Incentive Plan in 2006. The principle of a long-term incentive scheme for senior executives is one that the Remuneration Committee and the Company believes readily aligns the interests of Executive Directors and shareholders, whilst providing the motivation and incentive for the Directors to perform at the highest levels. Under the provisions of the Henry Boot 2006 Long-Term Incentive Plan, approved by shareholders at an EGM on 20 July 2006, participants may receive a provisional allocation of shares up to 120% of basic salary calculated by reference to the share price at that time. This limit can only be exceeded in exceptional circumstances at the discretion of the Remuneration Committee. Those allocated to J T Sutcliffe in 2008 were made on this latter basis. Awards under the Plan, which usually vest in three years, are subject to three performance conditions over that three year period. These are the per annum increase in net asset value per share compared to the Investment Property Databank UK Annual Index, the increase in profitability compared to the Retail Prices Index and Total Shareholder Return (TSR) compared to the median of a comparator group of the FTSE Small Cap Index. These targets ensure that the actual awards at the vesting date are aligned closely with the factors that drive shareholder return.

E J Boot is a member of the Henry Boot Staff Pension and Life Assurance Scheme, a defined benefit pension scheme. J T Sutcliffe is a member of the Henry Boot Group Stakeholder Pension Scheme, a defined contribution scheme. D Greaves is beyond retirement age. Both schemes also provide a lump sum death in service benefit and a pension for dependents of members on their death in service and, on death after retirement, a pension for dependents. Normal retirement age is 65.

UNAUDITED SECTION CONTINUED

FIVE YEAR TSR PERFORMANCE

The line graph below shows the cumulative TSR over the last five years for a holding of shares in the Company compared with the performance of the FTSE Small Cap Index. This comparator index has been chosen as the most appropriate index, as the Company, but for the free float restrictions, would be included as a constituent of this index.



AUDITED SECTION

DIRECTORS' REMUNERATION

The emoluments of the Directors, excluding pension contributions, were:

	Salary £'000	Bonus £'000	Taxable benefits £'000	**2008 Total £'000**	2007 Total £'000
J S Reis	35	—	—	**35**	33
E J Boot	310	195	25	**530**	650
D Greaves	202	127	19	**348**	425
J T Sutcliffe	208	133	19	**360**	420
J E Brown	30	—	—	**30**	29
M I Gunston	30	—	—	**30**	29
	815	455	63	**1,333**	1,586

LONG-TERM INCENTIVE AWARDS

	E J Boot Number of shares	D Greaves Number of shares	J T Sutcliffe Number of shares
A PROVISIONAL ALLOCATIONS OF SHARES AT BEGINNING OF YEAR			
i) Performance:			
Performance period: 2006/7/8	172,800	111,110	N/A
Performance period: 2007/8/9	116,955	76,020	76,020
ii) Loyalty:			
Awarded 03/05/05	60,932	34,610	N/A
Market price at date of award: 100.2p			
Awarded 23/04/07	43,947	24,962	N/A
Market price at date of award: 253.2p			
Total provisional allocations brought forward	394,634	246,702	76,020
B AWARDS OF SHARES IN YEAR			
i) Performance	—	—	—
ii) Loyalty:			
Awarded 07/05/08: 1 for 2 in respect of award given 03/05/05	(60,932)	(34,610)	N/A
Market price at date of award: 141.5p			
Total awards in year	(60,932)	(34,610)	N/A
C PROVISIONAL ALLOCATIONS OF SHARES IN YEAR			
i) Performance:			
Performance period: 2008/9/10			
Date of allocation: 12/05/08	256,666	167,037	238,888
Market price at date of allocation: 135.0p			
ii) Loyalty	—	—	—
Total provisional allocations in year	256,666	167,037	238,888
D PROVISIONAL ALLOCATIONS OF SHARES AT YEAR END (A+B+C)			
i) Performance:			
Performance period: 2006/7/8	172,800	111,110	N/A
Performance period: 2007/8/9	116,955	76,020	76,020
Performance period: 2008/9/10	256,666	167,037	238,888
ii) Loyalty:			
Awarded 23/04/07	43,947	24,962	N/A
Total provisional allocations carried forward	590,368	379,129	314,908

Note: All data prior to 21 May 2007 has been restated to take into account the 4 for 1 bonus issue that took effect on that date.

AUDITED SECTION CONTINUED

SHARE OPTIONS

Details of options granted to Directors under the Henry Boot PLC 2000 Sharesave Scheme are as follows:

	Number of options						
	At 1 January 2008	Granted during year	Exercised during year	Lapsed during year	Exercise price	Date from which exercisable	Expiry date
E J Boot	6,080	—	—	6,080	155.4p	N/A	N/A
	—	12,467	—	—	77.0p	01/12/11	31/05/12
D Greaves	6,080	—	—	—	155.4p	01/12/09	31/05/10
J T Sutcliffe	6,080	—	—	6,080	155.4p	N/A	N/A
	—	12,467	—	—	77.0p	01/12/11	31/05/12

Details of the Scheme are set out in note 27.

DIRECTORS' PENSION INFORMATION

DEFINED BENEFIT SCHEME

	Transfer value at 1 January 2008 £'000 (1)(5)	Transfer value at 31 December 2008 £'000 (1)	Increase in transfer value £'000	Increase in transfer value less member contributions over year £'000	Changes in accrued benefit in relation to inflation £'000 (2)	Transfer value of the change in accrued benefit in relation to inflation £'000 (2)	Accumulated benefit accrued 2008 £'000 (3)	Accumulated benefit accrued 2007 £'000
E J Boot	3,084	3,457	373	354	(1)	(54)	213	206

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

NOTES

1. Mr E J Boot's transfer values as at 1 January 2008 and 31 December 2008 are based on a currently capped final pensionable salary of £331,002. This is a change from previous years and so the transfer value as at 1 January 2008 has been restated compared to last year's disclosures.
2. The transfer values include changes due to revaluation in deferment.
3. The increase in accrued benefit during the year is net of any increase for revaluation in deferment and the transfer value thereof calculated in accordance with the Trustees' chosen transfer value basis less an estimate of the Director's contributions for the year.
4. The accumulated benefit accrued at 31 December 2008 represents the pension entitlement which would be preserved in the Scheme if the member had left service on 31 December 2008.
5. Benefits and contributions relating to any members' Additional Voluntary Contributions are not included in the above table.

DEFINED CONTRIBUTION SCHEME

J T Sutcliffe is a member of the defined contribution scheme. Contributions paid by the Company in the year were £39,000.

On behalf of the Board

J T SUTCLIFFE
COMPANY SECRETARY
2 APRIL 2009

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENRY BOOT PLC

We have audited the Group and Parent Company Financial Statements (the 'Financial Statements') of Henry Boot PLC for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statements of Recognised Income and Expense, the Group and Parent Company Statements of Changes in Equity and the related notes. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Chairman's Statement, the Business Review, the Directors' Report, the unaudited part of the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Financial Statements.

HAWSONS
REGISTERED AUDITORS
2 APRIL 2009

PEGASUS HOUSE
463A GLOSSOP ROAD
SHEFFIELD S10 2QD

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
REVENUE	1	**193,679**	124,782
Cost of sales		**(134,992)**	(82,419)
Gross profit		**58,687**	42,363
Other income	1	**31**	49
Administrative expenses		**(12,518)**	(12,133)
Pension expenses		**(2,211)**	(1,460)
		43,989	28,819
(Decrease) increase in fair value of investment properties		**(19,592)**	18,063
Impairment of properties under construction		**(2,812)**	—
Profit on sale of properties under construction		**—**	3,379
Profit on sale of investment properties		**530**	120
Profit from operations	3	**22,115**	50,381
Investment income	5	**585**	361
Finance costs	6	**(3,427)**	(4,195)
PROFIT BEFORE TAX		**19,273**	46,547
Tax	7	**(3,671)**	(13,677)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**15,602**	32,870
Attributable to:			
Equity holders of the Parent Company		**13,861**	31,428
Minority interest		**1,741**	1,442
		15,602	32,870
BASIC EARNINGS PER ORDINARY SHARE	9	**10.8p**	24.5p
DILUTED EARNINGS PER ORDINARY SHARE	9	**10.6p**	24.1p
DIVIDEND	10	**5.0p**	5.0p

BALANCE SHEETS
AT 31 DECEMBER 2008

		Group		Parent Company	
	Note	2008 £'000	2007 £'000	2008 £'000	2007 £'000
ASSETS					
Non-current assets					
Goodwill	11	3,188	3,392	—	—
Property, plant and equipment	12	111,215	154,937	262	338
Investment property	13	126,279	81,458	—	—
Investments	14	—	—	21,974	3,037
Trade and other receivables	15	5,344	—	—	—
Deferred tax assets	16	7,006	8,709	6,560	6,833
		253,032	248,496	28,796	10,208
Current assets					
Inventories	17	59,011	83,403	—	—
Trade and other receivables	15	27,229	28,809	228,211	240,057
Cash and cash equivalents		2,579	2,326	98	29
		88,819	114,538	228,309	240,086
LIABILITIES					
Current liabilities					
Trade and other payables	19	51,885	55,259	131,058	90,762
Current tax liability		3,285	11,886	1,595	10,646
Borrowings	21	45,463	55,702	44,905	55,197
Provisions	23	11,057	11,291	124	—
		111,690	134,138	177,682	156,605
NET CURRENT (LIABILITIES) ASSETS		(22,871)	(19,600)	50,627	83,481
Non-current liabilities					
Trade and other payables	19	7,233	—	—	—
Borrowings	21	6,394	17,556	—	10,000
Employee benefits	24	22,636	22,454	22,636	22,454
Deferred tax liabilities	16	3,778	6,523	—	—
Provisions	23	20	144	—	124
		40,061	46,677	22,636	32,578
NET ASSETS		190,100	182,219	56,787	61,111
EQUITY					
Share capital	27	13,424	13,424	13,424	13,424
Revaluation reserve	28	4,438	4,809	—	—
Retained earnings	28	168,868	160,759	37,762	42,086
Other reserves	28	2,577	2,623	5,601	5,601
Cost of shares held by ESOP trust	14	(764)	(1,033)	—	—
Equity attributable to equity holders of the Parent Company		188,543	180,582	56,787	61,111
Minority interests		1,557	1,637	—	—
TOTAL EQUITY		190,100	182,219	56,787	61,111

On behalf of the Board

E J BOOT
DIRECTOR
2 APRIL 2009

J T SUTCLIFFE
DIRECTOR
2 APRIL 2009

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2008

	Group		Parent Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Revaluation of Group occupied property	**(490)**	2,778	**—**	—
Deferred tax on property revaluations	**107**	(695)	**—**	—
Tax on realised surplus	**—**	(33)	**—**	—
Actuarial (loss) gain on defined benefit pension scheme	**(182)**	3,359	**(182)**	3,359
Deferred tax on actuarial loss (gain)	**51**	(1,457)	**51**	(1,457)
Movement in fair value of cash flow hedges	**(69)**	62	**—**	—
Share-based payments	**269**	(293)	**—**	—
Arising on employee share schemes	**862**	688	**(80)**	688
Net gains (losses) recognised directly in equity	**548**	4,409	**(211)**	2,590
Profit (loss) for the year	**15,602**	32,870	**(6,877)**	(1,169)
Dividends from subsidiaries	**—**	—	**9,216**	10,987
Total recognised income and expense for the year	**16,150**	37,279	**2,128**	12,408
Profit for the year attributable to:				
Equity holders of the Parent Company	**13,861**	31,428	**(6,877)**	(1,169)
Minority interest	**1,741**	1,442	**—**	—
	15,602	32,870	**(6,877)**	(1,169)

STATEMENTS OF CHANGES IN EQUITY
AT 31 DECEMBER 2008

	Group		Parent Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Profit (loss) for the year	**13,861**	31,428	**(6,877)**	(1,169)
Equity dividends	**(6,448)**	(5,881)	**(6,452)**	(5,881)
Dividends from subsidiaries	**—**	—	**9,216**	10,987
Revaluation of Group occupied property	**(490)**	2,778	**—**	—
Deferred tax on property revaluations	**107**	(695)	**—**	—
Tax on realised surplus	**—**	(33)	**—**	—
Actuarial (loss) gain on defined benefit pension scheme	**(182)**	3,359	**(182)**	3,359
Deferred tax on actuarial loss (gain)	**51**	(1,457)	**51**	(1,457)
Movement in fair value of cash flow hedges	**(69)**	62	**—**	—
Share-based payments	**269**	(293)	**—**	—
Arising on employee share schemes	**862**	688	**(80)**	688
Movement in equity	**7,961**	29,956	**(4,324)**	6,527
Equity at 31 December 2007	**180,582**	150,626	**61,111**	54,584
EQUITY AT 31 DECEMBER 2008	**188,543**	180,582	**56,787**	61,111

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Group		Parent Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) from operations	**22,115**	50,381	**(11,918)**	(4,615)
Adjustments for non-cash items:				
Depreciation of property, plant and equipment	**5,067**	4,858	**130**	110
Property impairment	**2,862**	157	**—**	—
Goodwill impairment	**204**	203	**—**	—
Share-based payment expense	**862**	—	**(80)**	—
Revaluation decrease (increase) in investment properties	**19,592**	(18,063)	**—**	—
Movements in fair value of cash flow hedge	**(307)**	—	**—**	—
Gain on disposal of property, plant and equipment	**(354)**	(3,701)	**—**	—
Gain on disposal of investment properties	**(500)**	(120)	**—**	—
Operating cash flows before movements in working capital	**49,541**	33,715	**(11,868)**	(4,505)
Decrease (increase) in inventories	**23,750**	(23,890)	**—**	—
(Increase) decrease in receivables	**(3,495)**	(11,510)	**11,862**	(64,905)
Increase in payables	**4,119**	22,308	**24,926**	16,714
Cash generated from operations	**73,915**	20,623	**24,920**	(52,696)
Interest received	**585**	361	**11,480**	9,665
Interest paid	**(4,110)**	(3,434)	**(7,371)**	(6,116)
Tax	**(13,156)**	(13,545)	**(11,378)**	(11,965)
Net cash from operating activities	**57,234**	4,005	**17,651**	(61,112)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(38,687)**	(58,275)	**(114)**	(202)
Purchase of investment property	**(2,101)**	(983)	**—**	—
Proceeds on disposal of property, plant and equipment	**7,445**	6,719	**60**	25
Proceeds on disposal of investment properties	**5,729**	739	**—**	—
Dividends received from subsidiaries	**—**	—	**9,216**	10,987
	(27,614)	(51,800)	**9,162**	10,810
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid – ordinary shares	**(6,431)**	(5,860)	**(6,431)**	(5,860)
– minorities	**(1,514)**	(1,358)	**—**	—
– preference	**(21)**	(21)	**(21)**	(21)
	(7,966)	(7,239)	**(6,452)**	(5,881)
Net increase (decrease) in cash and cash equivalents	**21,654**	(55,034)	**20,361**	(56,183)
Opening net debt	**(70,932)**	(15,898)	**(65,168)**	(8,985)
Closing net debt	**(49,278)**	(70,932)	**(44,807)**	(65,168)

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Group's IFRS Financial Statements are set out below:

BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in accordance with IFRS adopted by the European Union and therefore comply with Article 4 of the EU IAS regulations. They have been prepared on the historical cost basis, except for the revaluation of certain properties, financial instruments, share-based payments and pension assets and liabilities, which are measured at fair value.

CONSOLIDATION

The Group Financial Statements are a consolidation of the Financial Statements of the Parent Company and all its subsidiary undertakings.

GOODWILL

Goodwill arising on the acquisition of subsidiary undertakings is subjected to an impairment test at the balance sheet date and any loss is recognised through the Income Statement.

REVENUE RECOGNITION

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

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

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

CONSTRUCTION CONTRACTS

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

The principal method used to recognise the stage of completion of a contract is an internal survey of the work performed.

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

BUSINESS SEGMENTS

The primary format for segment reporting is business segments based on the nature of the Group's risks and returns which are affected predominantly by differences in the type of product or service the Group is providing.

For management purposes the Group currently reports its primary segment information as follows:

- property operations, inclusive of property development, property investment and trading activities;
- land operations, inclusive of land management, development and trading activities;
- construction operations, inclusive of its PFI company, plant hire and regeneration activities; and
- Group overheads and other, comprising central services, pensions, head office administration, in-house leasing and other mainly 'not for profit' activities.

INVESTMENT PROPERTY

Investment properties, which are properties held to earn rental income and for capital appreciation, are stated at fair value at the balance sheet date.

After initial recognition, investment property is carried at fair value, based on market values; other than houses, property is then valued annually by independent valuers. Houses are held at Directors' valuation. Any surplus or deficit arising from these valuations is included in the Income Statement. When an existing investment property is redeveloped for continued future use as an investment property, it remains an investment property whilst in development.

Investment properties in the course of construction are included in the Balance Sheet at cost, less any recognised impairment loss, until construction is complete, at which time the property becomes an investment property and it is subsequently dealt with as above.

PROPERTY, PLANT AND EQUIPMENT

Group occupied properties are stated in the Balance Sheet at their revalued amounts, being the fair value, based on market values less any subsequent accumulated depreciation or subsequent accumulated impairment loss. Fair value is determined annually by independent valuers. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the Income Statement.

In respect of buildings, depreciation is provided where it is considered significant having regard to the estimated remaining useful lives and residual values of individual properties.

Properties under construction are stated at cost less any recognised impairment loss.

Plant and vehicles, and office equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, mainly at the following annual rates:

- plant and machinery between 25% and 50%
- motor vehicles 25%
- office equipment 25%

The PFI asset represents the capitalised cost of the initial project, together with the capitalised cost of any additional structures, which are then depreciated over the remaining life of the concession or such earlier period as appropriate.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and rentals are charged wholly to the Income Statement.

Assets held under finance leases are capitalised in the Balance Sheet and depreciated over their expected useful lives or the lease term, whichever is the shorter. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Income Statement over the period of the lease.

Where the Group acts as a lessor in the case of operating leases, rental income is recognised on a straight line basis over the term of the relevant lease after adjustment for any rent free periods or other incentives.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value which, in the case of land held for development, is deemed to be the estimated existing use value where satisfactory planning permission has not yet been obtained.

The cost of options to purchase land and planning promotion agreements is carried at the lower of cost or estimated net realisable value and is subject to regular impairment reviews.

Developments in progress comprise all the direct costs incurred in bringing the individual schemes to their present state at the balance sheet date less the value of any impairment losses.

RETIREMENT BENEFIT COSTS

Payments to the defined contribution retirement benefit scheme are charged as an expense as they fall due.

The cost of providing benefits under the defined benefit scheme is determined using the Projected Unit Credit Method, with actuarial calculations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Income Statement and presented in the Statement of Recognised Income and Expense. The net periodic benefit cost comprising the employer share of the service cost and the interest cost, less the expected return on assets, is charged to the Income Statement. The Group's net obligations in respect of the scheme are calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. This is then discounted to present value and the fair value of the scheme's assets is then deducted.

SHARE-BASED PAYMENTS

Equity-settled share-based payments are measured at fair value at the date of grant and are expensed on a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest. Fair value is measured by a Monte Carlo pricing model.

TAX

The tax charge on the profit or loss for the year comprises the sum of tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the year adjusted for any tax payable or repayable in respect of earlier years. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and items that may never be taxable or deductible.

The Group's liability for current taxation is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Corporation tax liabilities of wholly owned subsidiary companies are transferred to and paid by the Parent Company and credit is given by the Parent Company for loss relief surrendered.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in computing taxable profits.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

DIVIDENDS

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

SHARE CAPITAL

Preference share capital is classified as equity as it is non-redeemable, or is redeemable only at the Company's option and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

FINANCIAL INSTRUMENTS

The Group retains such financial instruments as are required, together with retained earnings, in order to finance the Group's operations.

Financial assets or financial liabilities are recognised by the Group on the Balance Sheet only when the Group becomes a party to the contractual provisions of the instrument.

The principal financial instruments are:

- trade and other receivables are measured on initial recognition at nominal value less appropriate adjustments in respect of any deferred income;
- cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value;
- trade and other payables are on normal credit terms, are not interest bearing and are stated at their nominal values; and
- derivative financial instruments such as interest rate swaps are occasionally entered into in order to manage interest rate risks arising from long-term debt. Where such derivative transactions are executed, gains and losses on the fair value of such arrangements are taken either to reserves or to the Income Statement dependent upon the nature of the instrument.

BORROWING COSTS

All borrowing costs are recognised in the Income Statement within the period in which they are incurred.

JUDGEMENTS AND KEY ASSUMPTIONS

The critical judgements in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements, apart from those involving estimations (see below), relate to revenue recognition, construction contracts and inventories. All of these are referred to above and each is interpreted by management in the light of IAS 18 'Revenue', IAS 11 'Construction Contracts' and IAS 2 'Inventories'.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, and that could have a material adjustment to the carrying amounts of assets and liabilities over the ensuing year, are retirement benefit costs, goodwill impairment and the impairment review of option costs carried forward in inventories. The estimates used in retirement benefit costs are arrived at in conjunction with the scheme's actuary and advisers, those having the most significant impact being mortality rates and bond yields. Determination of goodwill impairment is estimated on the basis of future cash flow generation over the remaining concessionary period; whilst impairment relating to option costs is considered individually by management in the light of progress made in the planning process, feedback from local planning officers and other external factors that might be considered likely to influence the eventual outcome.

IMPACT OF STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these Financial Statements, the following interpretations to existing standards are mandatory for the accounting period ended 31 December 2008 but they have not had a significant impact on the Group or Company:

IFRIC 11 IFRS 2	'Group and Treasury Share Transactions'
IFRIC 14 IAS 19	'Employee Benefits'

At the date of the authorisation of these Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

		Effective from
IFRIC 12	'Service Concession Arrangements'	1 January 2008*
IFRIC 15	'Agreements for Construction of Real Estate'	1 January 2009
IFRIC 16	'Hedges of a Net Investment in a Foreign Operation'	1 October 2008*
IFRIC 17	'Distributions of Non-cash Assets to Owners'	1 July 2009
IAS 1 (Revised)	'Presentation of Financial Statements'	1 January 2009
IAS 23 (Revised)	'Borrowing Costs'	1 January 2009
IAS 27 (Amendment)	'Consolidated and Separate Financial Statements'	1 July 2009
IAS 32 (Amendment)	'Financial Instruments: Presentation' and IAS 1 (Amendment) 'Presentation of Financial Statements'	1 January 2009
IAS 39 (Amendment)	'Financial Instruments' and IFRS 7 (Amendment) 'Financial Instruments Disclosures'	1 July 2009
IFRS 1 (Amendment)	'First Time Adoption of IFRS' and IAS 27 (Amendment) 'Consolidated and Separate Financial Statements'	1 January 2009
IFRS 2 (Amendment)	'Share-based Payments'	1 January 2009
IFRS 3 (Revised)	'Business Combinations'	1 July 2009
IFRS 8	'Operating Segments'	1 January 2009

* Not yet endorsed by the European Union.

There are also a number of minor amendments to other standards which are part of the IASB's annual improvements project.

A review of the impact of these standards, amendments and interpretations continues. At this stage the Directors do not believe that they will give rise to any significant financial impact other than IAS 23, where we will be required to capitalise borrowing costs incurred on property developments. The financial impact of this will be dependent on the level of expenditure in any year.

1. REVENUE

Analysis of the Group's revenue is as follows:

Activity in the United Kingdom	2008 £'000	2007 £'000
Property rental income and property development	21,338	11,741
Land development	74,692	36,049
Revenue from construction contracts	97,649	76,988
Rentals from operating leases other than property	—	4
	193,679	124,782
Other income	31	49
	193,710	124,831

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Revenue	2008 External sales £'000	2008 Inter-segment sales £'000	2008 Total £'000	2007 External sales £'000	2007 Inter-segment sales £'000	2007 Total £'000
Property investment and development	21,338	346	21,684	11,741	267	12,008
Land development	74,692	140	74,832	36,049	—	36,049
Construction	97,649	2,459	100,108	76,988	4,546	81,534
Group overheads and other	—	628	628	4	573	577
	193,679	3,573	197,252	124,782	5,386	130,168
Eliminations	—	(3,573)	(3,573)	—	(5,386)	(5,386)
	193,679	—	193,679	124,782	—	124,782

Result	2008 £'000	2007 £'000
Property investment and development	(17,345)	24,573
Land development	35,478	22,700
Construction	9,388	8,430
Group overheads and other	(5,460)	(4,534)
Segment result	22,061	51,169
Eliminations	54	(788)
Operating profit	22,115	50,381
Investment income	585	361
Finance costs	(3,427)	(4,195)
Profit before tax	19,273	46,547
Tax	(3,671)	(13,677)
Profit for the year	15,602	32,870

Other information	Capital additions 2008 £'000	Depreciation 2008 £'000	Impairment losses 2008 £'000	Capital additions 2007 £'000	Depreciation 2007 £'000	Impairment losses 2007 £'000
Property investment and development	36,280	65	2,812	89,495	48	—
Land development	188	57	—	53	58	—
Construction	4,503	4,324	50	3,995	4,161	157
Group overheads and other	797	621	—	938	591	—
	41,768	5,067	2,862	94,481	4,858	157

2. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

	2008 £'000	2007 £'000
Segment assets		
Property investment and development	**233,072**	234,619
Land development	**64,196**	78,303
Construction	**32,988**	36,812
Group overheads and other	**2,009**	2,265
	332,265	351,999
Unallocated assets	**9,586**	11,035
Total assets	**341,851**	363,034
Segment liabilities		
Property investment and development	**6,621**	5,363
Land development	**14,420**	19,406
Construction	**45,912**	27,381
Group overheads and other	**3,242**	1,971
	70,195	54,121
Unallocated liabilities	**81,556**	126,694
Total liabilities	**151,751**	180,815
Total net assets	**190,100**	182,219

For management purposes, the Group is currently organised into four business segments: Property investment and development, Land development, Construction, Group overheads and other.

As operations are carried out entirely within the UK, there is no secondary segmental information.

3. PROFIT FROM OPERATIONS

	2008 £'000	2007 £'000
Depreciation of property, plant and equipment – owned assets	**5,067**	4,858
Impairment of goodwill included in administrative expenses	**204**	203
Impairment losses on land and buildings	**50**	157
Impairment of properties under construction	**2,812**	—
Property rentals under operating leases	**299**	211
Decrease (increase) in fair value of investment property	**19,592**	(18,063)
Cost of inventories recognised as expense	**46,928**	14,140
Employee costs	**25,580**	21,195
Auditors' remuneration:		
– statutory audit	**173**	168
– further assurance services	**10**	11
– tax compliance	**119**	61
Amounts payable to Deloitte LLP by Road Link (A69) Limited in respect of audit services	**8**	6
Profit on sale of property, plant and equipment	**(354)**	(3,701)

In addition, fees of £11,975 (2007: £10,975) were paid to the auditors in respect of the Henry Boot Staff Pension and Life Assurance Scheme. Included in the Group audit fees and expenses paid to the Group's auditors, £40,000 (2007: £39,000) was paid in respect of the Parent Company.

4. EMPLOYEE COSTS

	2008 £'000	2007 £'000
Wages and salaries	**21,002**	17,865
Social security costs	**2,367**	1,750
Defined benefit pension costs	**1,900**	1,460
Other pension costs	**311**	120
	25,580	21,195

In addition to the above, the total expense recognised immediately in the Income Statement arising from share-based payment transactions was £862,000 (2007: £188,000).

The defined benefit pension costs represent pension expenses of £1,250,000 and an additional contribution paid by the Company at the year end of £650,000.

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

	2008 Number	2007 Number
Property investment and development	**32**	30
Land development	**28**	28
Construction	**409**	314
Plant hire	**124**	130
Group overheads and other	**50**	56
	643	558

5. INVESTMENT INCOME

	2008 £'000	2007 £'000
Interest on bank deposits and similar interest	**585**	361

6. FINANCE COSTS

	2008 £'000	2007 £'000
Interest on bank overdrafts and loans	**3,427**	4,195

7. TAX

	2008 £'000	2007 £'000
Current tax:		
UK corporation tax on profits for the year	**12,494**	13,659
Adjustment in respect of earlier years	**(7,939)**	—
Deferred tax	**(884)**	18
Tax on profit on ordinary activities	**3,671**	13,677

Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the year. Deferred tax has been calculated at 28%, being the rate expected to be applicable at the date the actual tax will arise. The charge for the year can be reconciled to the profit per the Income Statement as follows:

	2008 £'000	2007 £'000
Profit before tax	**19,273**	46,547

	%	%
Tax at the UK corporation tax rate	**28.50**	30.00
Effects of:		
Short-term timing differences	**(3.93)**	—
Expenses not deductible for tax purposes	**37.52**	0.17
Adjustment in respect of earlier years	**(41.19)**	—
Capital gains	**(1.79)**	(1.01)
Deferred tax rate change	**(0.06)**	0.22
	19.05	29.38

8. RESULTS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the Income Statement of the Parent Company is not presented as part of these Financial Statements. The loss dealt with in the Financial Statements, excluding dividends received from subsidiaries of £9,216,000, of the Parent Company is £6,877,000 (2007: loss £1,169,000).

9. EARNINGS PER ORDINARY SHARE

Earnings	2008 £'000	2007 £'000
Profit for the year	**15,602**	32,870
Minority interests	**(1,741)**	(1,442)
Preference dividend	**(21)**	(21)
	13,840	31,407

Number of shares	2008	2007
Shares in issue	**130,244,385**	130,244,385
Less shares held by the ESOP on which dividends have been waived	**(1,621,007)**	(2,191,420)
Weighted average number for basic earnings per share	**128,623,378**	128,052,965
Add back shares held by the ESOP	**1,621,007**	2,191,420
Adjustment for the effects of dilutive potential ordinary shares	**120,182**	189,475
Weighted average number for diluted earnings per share	**130,364,567**	130,433,860

10. DIVIDENDS

	2008 £'000	2007 £'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 2007 of 3.75p per share (2006: 3.32p)	**4,823**	4,257
Interim dividend for the year ended 31 December 2008 of 1.25p per share (2007: 1.25p)	**1,608**	1,603
	6,452	5,881

The proposed final dividend for the year ended 31 December 2008 of 3.75p per share (2007: 3.75p) makes a total dividend for the year of 5.0p (2007: 5.0p).

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 £4,823,000.

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.

11. GOODWILL

	2008 £'000	2007 £'000
Cost		
At 31 December 2007 and 2008	**4,070**	4,070
Accumulated impairment losses		
At 31 December 2007	**678**	475
Impairment losses for the year	**204**	203
At 31 December 2008	**882**	678
Carrying amount		
At 31 December 2008	**3,188**	3,392
At 31 December 2007	**3,392**	3,595

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition is subject to an impairment test at the balance sheet date. This company's subsidiary, Road Link (A69) Limited, operates a PFI concession which comprises managing and maintaining the A69 Carlisle to Newcastle trunk road. The company receives payment from the Highways Agency based on the number and type of vehicles using the road. The concession has a further 17 years to run, at the end of which the road reverts to the Highways Agency. There were no significant changes to these arrangements during the year. Although the Companies Act 1985 Section 223(5) requires a co-terminous year end, the subsidiary company's accounting reference date is 31 March in order to align with the Highways Agency's financial year end and hence interim Financial Statements are prepared for incorporation into these consolidated Financial Statements.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £'000	Properties under construction £'000	PFI asset £'000	Plant and vehicles £'000	Office equipment £'000	Total £'000
Cost or fair value						
At 1 January 2007	7,388	69,795	14,801	26,218	1,515	119,717
Additions at cost	18	52,599	253	5,174	231	58,275
Transfers from inventories	—	2,322	—	—	—	2,322
Disposals	(401)	(2,121)	—	(2,404)	(60)	(4,986)
Increase in fair value in year	2,778	—	—	—	—	2,778
At 31 December 2007	9,783	122,595	15,054	28,988	1,686	178,106
Additions at cost	—	33,143	40	5,325	179	38,687
Transfers to investment property	—	(67,879)	—	—	—	(67,879)
Transfers from inventories	—	980	—	—	—	980
Disposals	—	(6,524)	—	(4,167)	(77)	(10,768)
Decrease in fair value in year	(526)	—	—	—	—	(526)
At 31 December 2008	**9,257**	**82,315**	**15,094**	**30,146**	**1,788**	**138,600**
Being:						
Cost	—	82,315	15,094	30,146	1,788	129,343
Fair value at 31 December 2008	9,257	—	—	—	—	9,257
	9,257	**82,315**	**15,094**	**30,146**	**1,788**	**138,600**
Accumulated depreciation						
At 1 January 2007	36	—	2,453	16,545	1,088	20,122
Charge for year	—	—	1,073	3,582	203	4,858
Impairment loss	157	—	—	—	—	157
Eliminated on disposals	—	—	—	(1,911)	(57)	(1,968)
At 31 December 2007	193	—	3,526	18,216	1,234	23,169
Charge for year	—	—	1,085	3,743	239	5,067
Impairment loss	50	2,812	—	—	—	2,862
Eliminated on disposals	—	—	—	(3,601)	(76)	(3,677)
Eliminated on revaluation	(36)	—	—	—	—	(36)
At 31 December 2008	**207**	**2,812**	**4,611**	**18,358**	**1,397**	**27,385**
Carrying amount						
At 31 December 2008	**9,050**	**79,503**	**10,483**	**11,788**	**391**	**111,215**
At 31 December 2007	9,590	122,595	11,528	10,772	452	154,937

Land and buildings have been revalued by Jones Lang LaSalle in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £8,950,000. One property has been valued at its impaired value of £100,000 by D Greaves, a Director of the Company.

On the historical cost basis, the land and buildings would have been included at a cost of £3,674,000 (2007: £3,674,000).

In view of the significant adjustments made to the valuation of investment properties by our external valuers, Jones Lang LaSalle, the Directors have reviewed the asset category of 'Properties under construction' and have made two fair value adjustments. Adjustments were made to assets where values were impaired by £2,812,000 to £11,782,000.

At 31 December 2008, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £6,971,000.

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Parent Company	Plant and vehicles £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2007	205	568	773
Additions	51	151	202
Disposals	(49)	(34)	(83)
At 31 December 2007	207	685	892
Additions	24	90	114
Disposals	(158)	(10)	(168)
At 31 December 2008	**73**	**765**	**838**
Depreciation			
At 1 January 2007	94	408	502
Charge for year	36	74	110
Disposals	(24)	(34)	(58)
At 31 December 2007	106	448	554
Charge for year	26	104	130
Disposals	(98)	(10)	(108)
At 31 December 2008	**34**	**542**	**576**
Net book value			
At 31 December 2008	**39**	**223**	**262**
At 31 December 2007	101	237	338

13. INVESTMENT PROPERTY

	£'000
Fair value	
At 1 January 2007	30,130
Additions	983
Disposals	(619)
Transfers from inventories	32,901
Increase in fair value in year	18,063
At 31 December 2007	81,458
Additions	2,101
Disposals	(5,229)
Transfers from properties under construction	67,879
Transfers to inventories	(338)
Decrease in fair value in year	(19,592)
At 31 December 2008	**126,279**
Adjustment in respect of rent-free periods	(795)
Adjustment in respect of tenant incentives	9,276
Adjustment in respect of tax benefits	(2,022)
Market value at 31 December 2008	**132,738**

With the exception of houses, investment properties have been revalued by Jones Lang LaSalle in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £126,560,000. The fair value of houses has been determined by D Greaves, a Director of the Company, at £6,178,000.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £7,854,000 (2007: £3,824,000). Direct operating expenses arising on the investment property in the year amounted to £1,098,000 (2007: £1,319,000).

14. INVESTMENTS

Parent Company	2008 £'000	2007 £'000
Subsidiary companies		
At 1 January 2007	**3,037**	3,185
Additions	**25,000**	—
Disposals	**(16)**	(148)
Provisions for losses	**(6,047)**	—
At 31 December 2008	**21,974**	3,037

The original cost of shares included above is £26,621,000 (2007: £1,637,000). This has been reduced by provisions for losses where necessary and enhanced where the Directors have considered it appropriate to reflect in the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements have been £1,115,000 in 1975 and £1,135,000 in 1989.

On 22 December 2008 Henry Boot PLC subscribed for additional equity capital of £24,999,988 in Henry Boot Developments Limited by way of a debt for equity swap. Both parties agreed that this equity injection was in their best interests and ensured that Henry Boot Developments Limited would have positive net assets at 31 December 2008 despite the fall in property values expected at that year end.

Amounts due to and from subsidiary companies are listed in notes 15 and 19. The principal active subsidiary companies are listed in note 30. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of Road Link (A69) Holdings Limited which is 61.2% owned by Henry Boot Construction (UK) Limited. They are all incorporated in the United Kingdom.

All subsidiary companies have only one class of issued share capital.

COST OF SHARES HELD BY THE ESOP TRUST

Group	2008 £'000	2007 £'000
At 31 December 2007	**1,033**	740
Additions	**—**	355
Disposals	**(269)**	(62)
At 31 December 2008	**764**	1,033

Quoted investments represent own shares held by the Henry Boot PLC Employee Trust as an Employee Share Ownership Plan to provide an incentive to greater ownership of shares in the Company by its employees. The Company has loaned £764,286 to the trustee, interest free, which enabled it to purchase Henry Boot PLC ordinary shares.

At 31 December 2008, the trustee held 1,621,007 shares with a cost of £764,286 and a market value of £940,184. All of these shares, were committed to satisfy existing grants by the Company under the 1996 and 2006 Henry Boot PLC Long-Term Share Incentive Plans and the Henry Boot PLC 2000 Sharesave Scheme. In accordance with IAS 32, these shares are deducted from shareholders' funds. Under the terms of the trust, the trustee has waived all but a nominal dividend on the shares it holds.

15. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts due from construction contract customers	**188**	183	**—**	—
Trade receivables, pre-payments and accrued income	**32,385**	28,626	**414**	628
Amounts owed by Group undertakings	**—**	—	**227,797**	239,429
	32,573	28,809	**228,211**	240,057
Due within one year	**27,229**	28,809	**228,211**	240,057
Due after more than one year	**5,344**	—	**—**	—
	32,573	28,809	**228,211**	240,057

Included in the Group's trade receivable balance are debtors with a carrying amount of £3.1m (2007: £3.5m) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

AGEING OF PAST DUE BUT NOT IMPAIRED TRADE RECEIVABLES

	2008 £'000	2007 £'000
30–60 days	**1,441**	1,564
60–90 days	**863**	906
90–120 days	**102**	109
120+ days	**646**	892
	3,052	3,471

15. TRADE AND OTHER RECEIVABLES CONTINUED

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL RECEIVABLES

	2008 £'000	2007 £'000
At 31 December 2007	**200**	231
Impairment losses recognised	**187**	179
Amounts written off as uncollectable	**(56)**	(208)
Amounts recovered during the year	**(12)**	(2)
At 31 December 2008	**319**	200

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

AGEING OF IMPAIRED TRADE RECEIVABLES

	2008 £'000	2007 £'000
0–30 days	**5**	42
30–60 days	**11**	15
60–90 days	**17**	10
90–120 days	**15**	13
120+ days	**271**	120
	319	200

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

PARENT COMPANY

Amounts owed by Group undertakings are unsecured and are stated net of provisions for irrecoverable amounts of £35,894,000, of which £309,000 has been provided in the year, £29,000 has been released in the year and £Nil has been recovered in the year.

CREDIT RISK

The Group's principal financial assets are bank balances and cash, and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

16. DEFERRED TAX

DEFERRED TAX ASSET

Group	Accelerated capital allowances £'000	Employee benefits £'000	Other timing differences £'000	Total £'000
At 1 January 2007	288	7,744	1,909	9,941
Recognised in income	61	—	164	225
Recognised in equity	—	(1,457)	—	(1,457)
At 31 December 2007	349	6,287	2,073	8,709
Recognised in income	(181)	—	(1,573)	(1,754)
Recognised in equity	—	51	—	51
At 31 December 2008	**168**	**6,338**	**500**	**7,006**
Parent Company				
At 1 January 2007	35	7,744	378	8,157
Recognised in income	(6)	—	139	133
Recognised in equity	—	(1,457)	—	(1,457)
At 31 December 2007	29	6,287	517	6,833
Recognised in income	(7)	—	(317)	(324)
Recognised in equity	—	51	—	51
At 31 December 2008	**22**	**6,338**	**200**	**6,560**

16. DEFERRED TAX CONTINUED

DEFERRED TAX LIABILITY

Group	Accelerated capital allowances £'000	Property revaluations £'000	Other timing differences £'000	Total £'000
At 1 January 2007	—	(5,585)	—	(5,585)
Recognised in income	—	(243)	—	(243)
Recognised in equity	—	(695)	—	(695)
At 31 December 2007	—	(6,523)	—	(6,523)
Recognised in income	—	2,638	—	2,638
Recognised in equity	—	107	—	107
At 31 December 2008	**—**	**(3,778)**	**—**	**(3,778)**

17. INVENTORIES

Group	2008 £'000	2007 £'000
Developments in progress	**5,103**	9,942
Land held for development	**53,908**	73,461
	59,011	83,403

Within land held for development £1,771,000 (2007: £797,000) has been written-down and recognised as an expense in the year.

Costs written-down during the period relate to land where planning permission for development has been refused or is deemed to be doubtful.

Previous write-downs amounting to £520,000 (2007: £80,000) have been reversed and reduced the amount of inventories recognised as an expense in the year. The reversals relate to costs previously provided where planning permission for development was doubtful but where prospects have now significantly improved or actual planning consent has been granted.

POST BALANCE SHEET EVENTS

In February 2009, Hallam Land Management Limited lost a planning appeal on a site in Derby. The resulting write-down of inventories amounts to £1,492,000 and is a 'Non-adjusting event after the balance sheet date' in accordance with IAS 10 'Events after the Balance Sheet Date' and will impact the Income Statement in 2009.

18. CONSTRUCTION CONTRACTS

	2008 £'000	2007 £'000
Contracts in progress at 31 December 2008:		
Amounts due from contract customers included in trade and other receivables	**188**	183
Amounts due to contract customers included in trade, other payables and provisions	**(17,736)**	(8,298)
	(17,548)	(8,115)
Contract costs incurred plus recognised profits less recognised losses to date	**265,526**	197,484
Less: progress billings	**(283,074)**	(205,599)
	(17,548)	(8,115)

At 31 December 2008, retentions held by customers for contract work amounted to £481,000 (2007: £876,000). Advances received from customers for contract work amounted to £17,736,000 (2007: £8,298,000).

At 31 December 2008, amounts of £Nil (2007: £Nil) included in trade and other receivables and arising from construction contracts are due for settlement after more than twelve months.

19. TRADE AND OTHER PAYABLES

	Group		Parent Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Trade payables, accruals and deferred expenditure	**59,118**	55,259	**2,069**	3,508
Amounts owed to Group undertakings	**—**	—	**128,989**	87,254
	59,118	55,259	**131,058**	90,762
Due within one year	**51,885**	55,259	**131,058**	90,762
Due after more than one year	**7,233**	—	**—**	—
	59,118	55,259	**131,058**	90,762

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

20. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern and have the resources to provide returns for shareholders and benefits for other stakeholders; and
- to maximise returns to shareholders by allocating capital across our businesses based on the level of expected return and risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and cash equivalents and at 31 December 2008 this was £49.3m. Equity comprises all components of equity and at 31 December 2008 this was £190.1m.

During 2008 the Group's strategy, which was unchanged from 2007, was to maintain the debt to equity ratio below 50%. This level was chosen so as to ensure we could access very flexible and inexpensive funding without recourse to debt secured with specific security.

We have recently received approval for three year committed facilities totalling £94m with our three banking partners. In the current uncertain market we feel this longer-term facility, unchanged in size, is more appropriate than the annually renewed bilateral facilities with which we have been operating.

21. BORROWINGS

	Group		Parent Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Bank overdrafts	**824**	3,000	**1,428**	3,658
Bank loans	**51,033**	70,258	**43,477**	61,539
	51,857	73,258	**44,905**	65,197
The borrowings are repayable as follows:				
On demand or within one year	**45,463**	55,702	**44,905**	55,197
In the second year	**1,162**	11,162	**—**	10,000
In the third to fifth years inclusive	**3,488**	3,488	**—**	—
After five years	**1,744**	2,906	**—**	—
	51,857	73,258	**44,905**	65,197
Due within one year	**45,463**	55,702	**44,905**	55,197
Due after one year	**6,394**	17,556	**—**	10,000
	51,857	73,258	**44,905**	65,197

The weighted average interest rates paid were as follows:

	2008 %	2007 %
Bank overdrafts	**5.59**	6.46
Bank loans – floating rate	**5.54**	6.36
Bank loans – fixed rate (relating to Road Link (A69) Limited)	**7.37**	7.37

Bank loans of £7,556,000 are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Based on approximate average borrowings during 2008, a 1% change in interest rates would affect profitability before tax by £346,000.

The fair value of the Group's borrowings are not considered to be materially different from the carrying amounts, other than as disclosed in note 22.

Interest on floating rate borrowings is arranged for periods from overnight to three months. The Road Link (A69) Limited bank loan is secured by a specific charge over the freehold and leasehold properties of that Company and fixed and floating charges over the assets of that Company and is without recourse to the rest of the Group. It is repayable in six-monthly instalments that commenced in the year ended 31 March 1999 and is repayable by 31 March 2015.

Other bank loans are unsecured.

At 31 December 2008, the Group had available £Nil (2007: £18,128,000) undrawn committed borrowing facilities and £35,393,000 (2007: £24,175,000) undrawn uncommitted borrowing facilities.

Bank overdrafts are repayable on demand.

22. DERIVATIVE FINANCIAL INSTRUMENTS

INTEREST RATE SWAP

At 31 December 2008, an interest rate swap transaction was in place covering a bank loan of £7,556,000 (2007: £8,719,000) at a fixed rate of 7.37% payable semi-annually. The termination date of the swap arrangement is 31 March 2015.

The fair value of the swap arrangement at 31 December 2008 was £792,000 (2007: £415,000) giving rise to a hedge reserve deducted from other reserves.

23. PROVISIONS

Group	Road maintenance £'000	Bonds and guarantees £'000	Other £'000	Total £'000
At 31 December 2007				
Included in current liabilities	827	—	10,464	11,291
Included in non-current liabilities	—	124	20	144
	827	124	10,484	11,435
Additional provisions in year	548	—	—	548
Utilisation of provisions	(742)	—	(164)	(906)
At 31 December 2008	**633**	**124**	**10,320**	**11,077**
Included in current liabilities	633	124	10,300	11,057
Included in non-current liabilities	—	—	20	20
	633	**124**	**10,320**	**11,077**

Parent Company	Bonds and guarantees £'000
At 31 December 2007 and 2008	**124**

The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset.

The bonds and guarantees provision represents a claim that has been made against the Parent Company, the liability for which is subject to an on demand bond. The provision represents the estimated loss likely to arise in the event that the claim is not settled and a call under the bond is made.

Any liabilities where the Directors anticipate that a present obligation would result in a future outflow of resources, including legal and regulatory penalties or claims, are taken into account in the Financial Statements. In accordance with the dispensations within IAS 37, paragraph 92, any such matters are not disclosed for reasons of commercial confidentiality.

24. EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PENSION SCHEME

The Group operates a defined contribution scheme for all qualifying employees. The scheme is administered and managed by the Norwich Union and the Group matches member contributions, providing a minimum of 3% of salary is paid by the employee, on a pound for pound basis up to a maximum of 8%.

The total cost charged to income of £147,000 (2007: £120,000) represents contributions payable to the scheme by the Group.

DEFINED BENEFIT PENSION SCHEME

The Group operates a defined benefit pension scheme ('scheme') for eligible employees which is funded to provide for future pension liabilities, including anticipated increases in earnings and pensions. The assets of the scheme are held in a fund independently administered by trustees. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent triennial valuation was carried out as at 1 January 2007. The results of that valuation have been projected to 31 December 2008 and then recalculated based on the following assumptions:

	2008 %	2007 %
Rate of inflation	**3.00**	3.30
Rate of general increases in salaries	**4.00**	4.75
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.90**	3.20
Revaluation of deferred pensions	**3.00**	3.30
Liabilities discount rate	**6.50**	5.90
Expected rate of return on scheme assets	**5.70**	6.65

24. EMPLOYEE BENEFITS CONTINUED

DEFINED BENEFIT PENSION SCHEME CONTINUED

The overall expected rate of return is determined as follows:

- the assumption for return on equities of 6.75% is based upon gilt yields of 4.52% (commonly adopted as a 'risk-free rate') prevailing at the measurement date plus an equity risk premium of 2.23%;
- the assumption for return on bonds represents the expected return on the current portfolio of gilts and corporate bonds as at the measurement date;
- the assumption for return on cash is the bank base rate applicable at the measurement date and represents the expected returns on the scheme's cash holdings; and
- property is generally assumed to have the same expected return as equities.

Mortality assumptions	2008 Years	2007 Years
Retiring today:		
Male	**19.7**	19.7
Female	**22.7**	22.7
Retiring in 20 years:		
Male	**21.0**	21.0
Female	**24.0**	24.0

The mortality assumptions are consistent with the assumptions used in the most recent triennial valuation.

The post-retirement mortality tables used were the PA92 tables based on individual members' dates of birth.

Amounts recognised in income in respect of the scheme are as follows:

	2008 £'000	2007 £'000
Current service cost	**(1,295)**	(1,472)
Interest cost	**(8,430)**	(7,311)
Expected return on scheme assets	**7,825**	7,973
Past service cost	**—**	—
Pension expenses	**(1,900)**	(810)

Actuarial losses have been reported in the Statements of Recognised Income and Expense of £182,000 (2007: Gains £3,359,000).

The actual loss on scheme assets was £16,319,000 (2007: return £7,991,000).

The amount included in the Balance Sheet arising from the Group's obligations in respect of the scheme is as follows:

	2008 £'000	2007 £'000
Present value of scheme obligations	**125,851**	144,260
Fair value of scheme assets	**103,215**	121,806
	22,636	22,454

This amount is presented in the Balance Sheet as follows:

	2008 £'000	2007 £'000
Current liabilities	**—**	—
Non-current liabilities	**22,636**	22,454
	22,636	22,454

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

	2008 £'000	2007 £'000
At 31 December 2007	**144,260**	141,580
Service cost	**1,295**	1,472
Interest cost	**8,430**	7,311
Contributions from scheme members	**410**	433
Actuarial gain	**(24,027)**	(2,653)
Past service cost	**—**	—
Benefits paid	**(4,517)**	(3,883)
At 31 December 2008	**125,851**	144,260

24. EMPLOYEE BENEFITS CONTINUED

DEFINED BENEFIT PENSION SCHEME CONTINUED

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

	2008 £'000	2007 £'000
At 31 December 2007	**121,806**	115,767
Expected return on scheme assets	**7,825**	7,973
Actuarial gain	**(24,144)**	18
Employer contributions	**1,835**	1,498
Contributions from scheme members	**410**	433
Benefits paid	**(4,517)**	(3,883)
At 31 December 2008	**103,215**	121,806

The analysis of scheme assets and the expected rate of return at 31 December 2008 was as follows:

	Rate of return		Market value	
	2008 %	2007 %	**2008 £'000**	2007 £'000
Equities	**6.75**	7.60	**54,954**	77,420
Bonds	**4.52**	4.90	**47,750**	39,869
Cash	**2.00**	5.50	**511**	4,517
			103,215	121,806

Included in equities are 2,250,000 (2007: 2,250,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £1,305,000 (2007: £3,791,250).

The history of experience adjustments is as follows:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of scheme obligations	**(125,851)**	(144,260)	(141,580)	(142,982)	(120,958)
Fair value of scheme assets	**103,215**	121,806	115,767	106,183	88,521
Deficit in the scheme	**(22,636)**	(22,454)	(25,813)	(36,799)	(32,437)
Experience adjustments on scheme liabilities	**—**	1,853	(2,935)	—	(1,009)
Percentage of scheme liabilities	**—**	1%	(2%)	—	(1%)
Experience adjustments on scheme assets	**(24,144)**	18	4,783	14,045	4,052
Percentage of scheme assets	**23%**	—	4%	13%	5%

The estimated amount of contributions expected to be paid to the scheme during the current financial year is £2,200,000.

In January 2008 the Company provided the trustees of the scheme with an 'on demand' letter of credit for £7,000,000.

25. OPERATING LEASE COMMITMENTS

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised in the Income Statement for the year	**299**	211

At 31 December 2008, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 £'000	2007 £'000
Within one year	**191**	116
In the second to fifth years inclusive	**117**	167
After five years	**14**	—

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

26. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are disclosed below:

Parent Company	2008 £'000	2007 £'000
Management charges receivable	**570**	570
Interest receivable	**11,424**	9,546
Interest payable	**(4,490)**	(3,910)
Rents payable	**(192)**	(189)
Recharge of expenses	**48**	35

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors, who are key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 46 to 48.

	2008 £'000	2007 £'000
Short-term employee benefits	**1,333**	1,586
Employers NIC	**219**	195
	1,552	1,781

27. SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
5.25% cumulative preference shares of £1 each	**400**	400	**400**	400
130,244,385 ordinary shares of 10p each (2007: 130,244,385)	**19,600**	19,600	**13,024**	13,024
	20,000	20,000	**13,424**	13,424

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

Subject to Board approval, the preference shares carry the right to a cumulative preferential dividend payable half yearly at the rate of 5.25% per annum. They also carry a right, in priority to the ordinary equity, on a return of assets on a winding up or reduction of capital, to repayment of capital, together with the arrears of any preferential dividend. With the exception of any resolution proposed to directly affect the rights or privileges of the holders of the preference shares, the holders thereof are not entitled to receive notice, be present or vote at any general meeting of the Company.

SHARE-BASED PAYMENTS

The Company operates the following share-based payment arrangements:

(A) THE HENRY BOOT PLC 2000 SHARESAVE SCHEME

This savings related share option scheme was approved by shareholders in 2000 and is subject to HMRC rules. The first grant of options to participating employees was made on 1 November 2006 at a price of 155.4p, a discount of just under 15% of the prevailing market price. A further grant of options was made on 22 October 2008 at an exercise price of 77p, a discount of 10% of the prevailing market price. There are no performance criteria attached to the exercise of these options. Options are normally capable of exercise for a six month period three years from the date of grant. The right to exercise options terminates if a participating employee leaves the Group, subject to certain exceptions.

	Options originally granted	Options lapsed	Options exercised	**Options outstanding at 31 December 2008**
November 2006 grant	604,285	433,635	160	**170,490**
October 2008 grant	1,147,441	22,441	—	**1,125,000**

(B) THE 1996 HENRY BOOT PLC LONG-TERM INCENTIVE PLAN

This Plan was approved by shareholders in 1996 and operated for ten years. Details of the Plan and the vesting requirements are set out in the Directors' Remuneration Report on page 45.

FINANCIAL STATEMENTS

27. SHARE CAPITAL CONTINUED
SHARE-BASED PAYMENTS CONTINUED
(C) THE HENRY BOOT 2006 LONG-TERM INCENTIVE PLAN

This Plan was approved by shareholders at an EGM held on 20 July 2006. Details of the Plan and the vesting requirements are also set out in the Directors' Remuneration Report on page 45.

In respect of b) and c) above, the aggregate total of movements in provisional allocations of shares and award of shares is as follows:

	2008 Number	2007 Number
Provisional allocations of shares at 1 January 2008	**1,508,904**	1,138,445
Lapses of provisional allocations of shares in year	**—**	(79,880)
Awards of shares in year	**(570,045)**	(183,585)
Provisional allocations of shares in year	**993,415**	633,924
Provisional allocations of shares at 31 December 2008	**1,932,274**	1,508,904

The weighted average share price at the date of exercise for share options exercised during the period was 141.5p (2007: 253.0p).

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

	LTIP	Sharesave 2006	Sharesave 2008
Weighted average exercise price	Nil	155.4p	77.0p
Expected volatility	7.50%	17.30%	33.20%
Expected life	3 to 6 years	3 years	3 years
Risk-free rate	4.23% to 5.42%	4.82%	3.52%
Expected dividend yield	2.61% to 5.08%	2.92%	2.61%

The weighted average fair value of share options granted during the year was 135p (2007: 198p).

EXPENSE RECOGNISED IN PROFIT AND LOSS

	2008 £'000	2007 £'000
The total expense recognised in the profit and loss arising from share-based payment transactions	**862**	188

The total expense recognised in profit and loss arose solely from equity-settled share-based payment transactions.

28. RESERVES

			Other				
Group	Property revaluation £'000	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Other £'000	Total other £'000
At 1 January 2007	2,908	142,843	271	2,563	253	(477)	2,610
Profit retained	—	31,428	—	—	—	—	—
Dividends paid	—	(5,881)	—	—	—	—	—
Movements in fair value of cash flow hedge	—	—	—	—	—	62	62
Increase in fair value in year	2,083	—	—	—	—	—	—
Realised revaluation surplus	(182)	182	—	—	—	—	—
Tax on realised surplus	—	(33)	—	—	—	—	—
Arising on employee share schemes	—	688	—	—	—	—	—
Unrecognised actuarial gain	—	3,359	—	—	—	—	—
Deferred tax on actuarial gain	—	(1,457)	—	—	—	—	—
Capitalisation on bonus share issue	—	(10,419)	—	—	—	—	—
Transfer from capital reserve	—	49	—	—	(49)	—	(49)
At 31 December 2007	4,809	160,759	271	2,563	204	(415)	2,623
Profit retained	—	13,861	—	—	—	—	—
Dividends paid	—	(6,448)	—	—	—	—	—
Movements in fair value of cash flow hedge	—	—	—	—	—	(69)	(69)
Decrease in fair value in year	(383)	—	—	—	—	—	—
Realised revaluation surplus	12	(25)	—	—	13	—	13
Arising on employee share schemes	—	862	—	—	—	—	—
Unrecognised actuarial loss	—	(182)	—	—	—	—	—
Deferred tax on actuarial loss	—	51	—	—	—	—	—
Transfer to capital reserve	—	(10)	—	—	10	—	10
At 31 December 2008	**4,438**	**168,868**	**271**	**2,563**	**227**	**(484)**	**2,577**

28. RESERVES CONTINUED

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Other: Share premium £'000	Other: Capital £'000	Other: Investment revaluation £'000	Other: Total other £'000
At 1 January 2007	45,978	271	2,563	1,632	1,135	5,601
Loss retained	(1,169)	—	—	—	—	—
Dividends from subsidiaries	10,987	—	—	—	—	—
Dividends paid	(5,881)	—	—	—	—	—
Unrecognised actuarial gain	3,359	—	—	—	—	—
Deferred tax on actuarial gain	(1,457)	—	—	—	—	—
Arising from employee share schemes	688	—	—	—	—	—
Capitalisation on bonus share issue	(10,419)	—	—	—	—	—
At 31 December 2007	42,086	271	2,563	1,632	1,135	5,601
Loss retained	(6,877)	—	—	—	—	—
Dividends from subsidiaries	9,216	—	—	—	—	—
Dividends paid	(6,452)	—	—	—	—	—
Unrecognised actuarial loss	(182)	—	—	—	—	—
Deferred tax on actuarial loss	51	—	—	—	—	—
Arising from employee share schemes	(80)	—	—	—	—	—
At 31 December 2008	**37,762**	**271**	**2,563**	**1,632**	**1,135**	**5,601**

29. GUARANTEES AND CONTINGENCIES

The Parent Company has guaranteed the performance of certain contracts entered into by Group undertakings in the ordinary course of business.

The Group has contingent liabilities under certain contracts undertaken in the ordinary course of business which are impracticable to quantify. Any liabilities which the Directors reasonably anticipate will crystallise are taken into account in the Financial Statements.

30. ADDITIONAL INFORMATION – PRINCIPAL ACTIVE SUBSIDIARIES

Details of the Company's principal active subsidiaries, all of which are incorporated in England and are consolidated in the Group Financial Statements at 31 December 2008, are as follows:

Name	Activity
Banner Plant Limited	Plant hire
First National Housing Trust Limited	Property investment
Hallam Land Management Limited	Land development
Henry Boot Construction (UK) Limited	Construction
Henry Boot Developments Limited	Property development and investment
Henry Boot Estates Limited	Property investment
Henry Boot 'K' Limited	Property development
Henry Boot Port Talbot Limited	Property development
Henry Boot Projects Limited	Property development and investment
Henry Boot Sandlands Limited	Property development
Henry Boot Tamworth Limited	Property development and investment
Henry Boot Whittington Limited	Property investment
Road Link (A69) Limited	PFI road maintenance
Winter Ground Limited	Property development and investment

All are ultimately 100% owned by the Company, with the exception of Road Link (A69) Limited which is 61.2% owned.

31. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors on 2 April 2009 and authorised for issue.

JONES LANG LASALLE

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THE DIRECTORS
Henry Boot PLC
Banner Cross Hall
Ecclesall Road South
Sheffield S11 9PD

31 December 2008

Gentlemen

HENRY BOOT PLC
GROUP PROPERTY PORTFOLIO VALUATION – 31 DECEMBER 2008

In accordance with your written instructions, we have valued the various freehold and leasehold properties held by Henry Boot PLC and its subsidiary companies, for accounts purposes as at 3l December 2008. The valuations have been made in accordance with the Practice Statements contained within the RICS Valuation Standards (6th Edition), in our capacity as External Valuers, on the basis of Market value. No allowances have been made for expenses of realisation or for taxation that might arise in the event of a disposal and our valuations are expressed as exclusive of any Value Added Tax that may become chargeable. Each property has been considered as if free and clear of all mortgages or other charges which may have been secured thereon. Where appropriate, the properties have been valued subject to and with the benefit of any lettings which have been disclosed.

Having regard to the foregoing we are of the opinion that the aggregate market value of the freehold and leasehold interests owned by Henry Boot PLC and its subsidiaries, as at 31 December 2008 is:

Freehold	£129,195,000
Leasehold	£6,315,000
Total	**£135,510,000**

In accordance with our normal practice, we confirm that our valuations have been prepared for the Directors of Henry Boot PLC and for the purpose to which this certificate refers.

No responsibility is accepted to any third party in respect of the information or advice contained herein, except in circumstances where our prior written approval has been granted.

Yours faithfully

PETER J HAGUE MRICS
DIRECTOR
FOR AND ON BEHALF OF JONES LANG LASALLE LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the AGM of Henry Boot PLC will be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 21 May 2009, at 12 noon for the following purposes:

RESOLUTION 1
To receive the Directors' Report and the Financial Statements for the year ended 31 December 2008.

RESOLUTION 2
To declare a final dividend on the ordinary shares.

RESOLUTION 3
To re-appoint M I Gunston as a Director, who retires by rotation.

RESOLUTION 4
To re-appoint J T Sutcliffe as a Director, who retires by rotation.

RESOLUTION 5
To re-appoint Hawsons as auditors and to authorise the Directors to fix the auditors' remuneration.

AND
To consider and, if thought fit, pass the following resolutions, which will be proposed as to Resolutions 7 and 10 as ordinary resolutions of the Company and as to Resolutions 6, 8 and 9 as special resolutions of the Company. Resolution 10 is an advisory shareholder vote on the Directors' Remuneration Report.

RESOLUTION 6
THAT the existing Articles of Association of the Company be amended by the deletion of Article 91 and the insertion in its place of new Articles 91, 91A and 91B, as set out in the document produced to the meeting and for the purposes of identification marked "A" and signed by the Chairman of the meeting.

RESOLUTION 7
THAT:

(a) in accordance with Article 7 of the Company's Articles of Association, the Directors be authorised to allot relevant securities up to a maximum nominal amount of £4,341,479;

(b) this authority shall expire on 20 May 2014; and

(c) all previous authorities under Section 80 of the Companies Act 1985 shall cease to have effect.

RESOLUTION 8
THAT:

(a) in accordance with Article 8 of the Company's Articles of Association, the Directors be given power to allot equity securities for cash;

(b) for the purposes of paragraph (1)(b) of Article 8, the nominal amount to which this power is limited is £650,000; and

(c) this power shall expire on 20 May 2014, and shall apply in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94 (3A) of the Companies Act 1985 as if in the first paragraph of Article 8 of the Company's Articles of Association, the words 'Subject to the board being generally authorised to allot relevant securities in accordance with Section 80 of the Act,' were omitted.

RESOLUTION 9
THAT the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company (ordinary shares) provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 11,055,000;

(b) the minimum price which may be paid for an ordinary share is 10p;

(c) the maximum price which may be paid for an ordinary share is not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made;

(d) the authority hereby conferred shall expire at the conclusion of the next AGM or, if earlier, on 20 August 2010; and

(e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority.

RESOLUTION 10

THAT the Directors' Remuneration Report for the year ended 31 December 2008 as set out in the 2008 Annual Report and Financial Statements of the Company be and is hereby approved.

By order of the Board

J T SUTCLIFFE
COMPANY SECRETARY
BANNER CROSS HALL
SHEFFIELD S11 9PD
16 APRIL 2009

NOTES

Only holders of ordinary shares in the Company are entitled to attend and vote at the meeting.

A member entitled to attend and vote is entitled to appoint one or more persons as proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Additional forms may be obtained by photocopying the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by the member may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a member under section 324 of the Companies Act 2006 ('2006 Act') to appoint a proxy does not apply to a person nominated to enjoy information rights under section 146 of the 2006 Act.

The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.

A form of proxy for use at the meeting is enclosed with the notice issued to holders of ordinary shares. The form of proxy should be completed in accordance with the notes on it and should be received by the Company's registrars, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, no later than 48 hours before the time appointed for the meeting.

Arrangements will be put in place at the meeting in order to facilitate voting by representatives of members which are corporations on a poll (if required) in accordance with the procedures set out in the Institute of Chartered Secretaries and Administrators' January 2008 guidance note on 'Proxies & Corporate Representatives at General Meetings'.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6pm on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Shareholders are requested to note that they may not use any electronic address in this document to submit a proxy appointment.

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Henry Boot

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and Financial Statements may be obtained
from the Company Secretary.

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