



**over 120 years in
property and construction**

Henry Boot

Henry Boot PLC
annual report and
financial statements 2009



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

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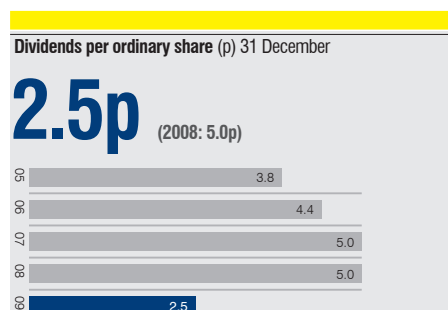
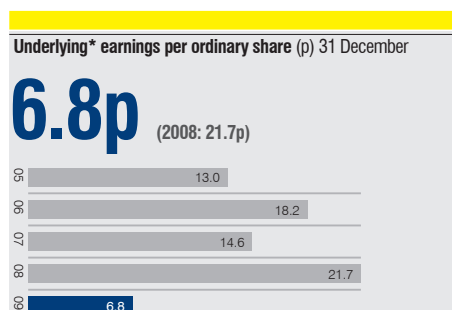
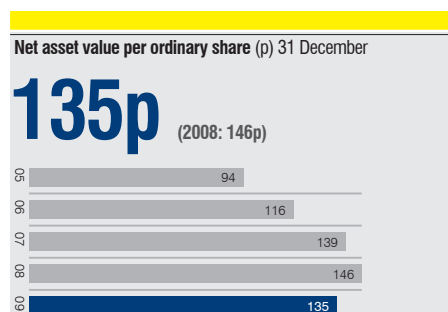
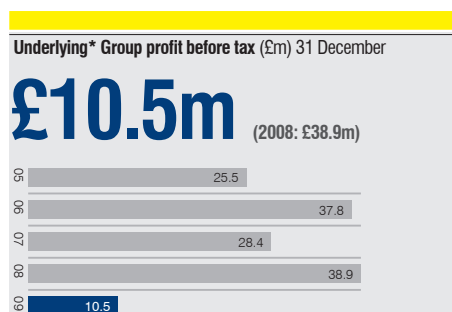
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Front cover photographs: from top clockwise

- ▶ Land at Burton-on-Trent, part of our total UK land interests of nearly 8,000 acres
- ▶ Henry Boot Developments' Bridge View office scheme at Priory Park, Hull
- ▶ Plant hire is a long established and well regarded part of the of the Group's business
- ▶ Another building contract in the education sector was carried out for Sheffield Hallam University
- ▶ Hallam Land Management's original land acquisition in Mansfield continues to be developed
- ▶ Banner Plant's many services include the supply of accommodation units for a variety of uses
- ▶ Prison refurbishment work is a key speciality of Henry Boot Construction (UK)
- ▶ The large distribution warehouse in Stoke-on-Trent occupied by the Co-op we sold in the year

2009 highlights

- **Trading profits of £11.5m** (2008: £44.0m)
- **Property impairments and revaluation deficit of £22.4m** (2008: deficit £22.4m)
- **Result before tax: loss of £11.9m** (2008: profit £19.3m)
- **Earnings per share: loss 5.7p** (2008: earnings 10.8p)
- **Second interim dividend of 1.25p, giving a total for the year of 2.5p** (2008: 5.0p)
- **Net asset value per share decreased by 8% to 135p** (2008: 146p)
- **Debt reduced to £32.1m** (2008: £49.3m)
- **Further reduction in gearing to 18%** (2008: 26%)



* Underlying figures exclude movements in fair value of investment properties.

Henry Boot at a glance

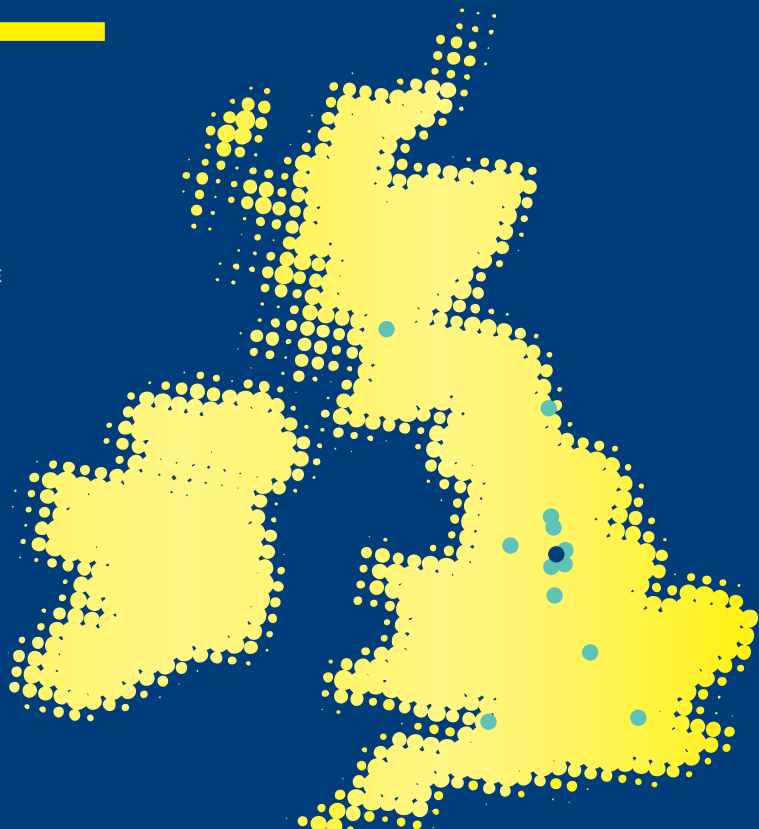
The Sheffield-based Henry Boot Group is one of the UK's leading property and construction organisations, with its four principal trading subsidiary companies operating in the property development and investment, land management, construction and plant hire sectors.

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.

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- GROUP HEAD OFFICE
SHEFFIELD
- 12 REGIONAL OFFICES
BRISTOL
CHESTERFIELD
DERBY
DRONFIELD
GLASGOW
LEEDS
LONDON
MANCHESTER
NEWCASTLE-UPON-TYNE
NORTHAMPTON
ROTHERHAM
WAKEFIELD



PROPERTY



LAND



CONSTRUCTION



PLANT



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2009



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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Scotland – Glasgow t: 0141 223 9090

Managing Director:

David Anderson

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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 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.

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Managing Director:

Keran Power

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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 and Manchester, and enjoys an enviable reputation for the delivery of high quality construction work, on-time and within agreed cost parameters.

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 16 years still to run.

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Managing Director:

Simon Carr

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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, 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.

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Regional Hire Centres:

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Derby t: 01332 752 035/751 762
Leeds t: 0113 240 6350
Rotherham t: 01709 515 655/511 500
Dronfield t: 01246 299 400
Wakefield t: 01924 283 487

Managing Director:

Giles Boot

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Chairman's statement

I am pleased to report a further solid set of results for the year ended 31 December 2009, particularly given the difficult conditions in the UK property market during the period.

I am pleased to report a further solid set of results for the year ended 31 December 2009, particularly given the difficult conditions in the UK property market during the period.

The first half of 2009 was characterised by decreasing investment yields, however, the second half has seen some stabilisation, with yields even firming up slightly towards the end of the year. Commercial property development remains difficult; the combination of construction, tenant and valuation risk means that it is still very hard to generate development profits. However, on the positive side, we completed all of the developments in progress at the beginning of the year and a more stable market should allow us to bring other development opportunities forward. We are currently working to bring forward a foodstore development at Warminster in the latter part of 2010. Despite the current depressed market, we continue to identify other opportunities for the longer term and are making good progress with our major town centre redevelopment at Daventry. As anticipated, Hallam Land had a quiet year. House builders had working capital issues to deal with and, until recently, were continuing to buy land only very selectively. Towards the end of the year, there were indications that the new build market had started to pick up and we are now finding that house builders are beginning to replenish their land banks once again.

Our construction division had another good year as we concluded the Decent Homes programme in Sheffield and continued work on the Rotherham and Doncaster programmes. We recognise that much of the construction division's work is centrally funded by Government and therefore potentially at risk given the likelihood of public spending cuts following the forthcoming General Election. As expected, activity levels at our plant hire business were adversely affected by the contraction in house building but we cut our capital expenditure accordingly, downsized the fleet size and generated over £2m in cash from the business during the year. Road Link A69 continued to perform in line with expectations and previous years.



JOHN REIS
CHAIRMAN

We continue to operate through our UK-wide network of offices, creating future land, planning and development opportunities in a cost-effective way and as prudent cash management allows. The construction and property investment income streams provide steady profits and cash flows, which underpin our performance, despite the reduction in the more cyclical development and land profits. Our strategic focus during this recessionary period has been to preserve our asset values and reduce our debt. We have made further progress during 2009 on debt reduction from £49.3m at the start of the year to £32.1m at the end and despite the largest property valuation adjustment for many years, our net asset value (NAV) of 135p per share at December 2009 is only marginally below the 139p achieved at the top of the cycle in December 2007.

RESULTS

Turnover was £116.5m (2008: £193.7m) arising from fewer land transactions and weaker construction division and development activity during the period. Gross trading profit decreased to £11.5m (2008: £44.0m), largely because the contribution from land trading activities this year was, as expected, significantly less than that in 2008. The loss before tax was £11.9m (2008: profit £19.3m) after the revaluation deficit of £22.4m (2008: combined investment and assets in course of construction revaluation deficit £22.4m). Property disposal profits were £0.9m (2008: £0.5m), attributable to a number of small disposals. Basic earnings per share decreased to a loss of 5.7p (2008: earnings 10.8p). Total net assets decreased 7% to £176.2m (2008: £190.1m), representing 135p per share (2008: 146p). As we planned, gearing again reduced by a third, for the second year in a row, as the cash generated from investment property rentals and development sales, less that used for the completion of the current development programme, was used to reduce debt. Gearing at the year end stood at 18% based on net debt of £32.1m (2008: gearing 26%, net debt £49.3m).

DIVIDENDS

As stated in our half year results, the market continues to be difficult. I believe we have managed the downward phase of this recessionary cycle well. It now remains to be seen how long it will be before the recovery phase takes hold. As previously notified, the Directors felt it unlikely that the recovery would be strong enough in 2009 to recommend a final dividend in excess of 1.25p (2008: 3.75p). As announced, the Directors decided that 1.25p should be paid as a second interim dividend on 31 March 2010 in place of a final dividend payment which would normally have been paid in May 2010. This gives a total dividend for the year of 2.5p (2008: 5.0p).

EMPLOYEES

On behalf of my fellow Directors, I express my thanks to all our employees who have worked tremendously hard to achieve a creditable result in very difficult markets. Regrettably, the tough trading conditions have also meant that we have had to make a number of people redundant during the year.

BOARD CHANGE

After an exceptional 55 years of sterling service with the Group, my fellow Director, Douglas Greaves, will retire in June 2010 and, on behalf of the Board, I wish him a long, happy and well deserved retirement. After his retirement, the Board will then consist of myself as Non-executive Chairman, Independent Non-executive Directors, John Brown and Michael Gunston, and Executive Directors, Jamie Boot and John Sutcliffe.

STRATEGY

We continue to invest for the long term in land promotion, property investment and development, with our performance underpinned by the recurring profit and cash flows generated by our construction, PFI and plant hire activities. We stated last year that we aimed to release capital by completing developments in progress and disposing of certain assets in the portfolio to reduce net debt. We have been successful in this aim and whilst other sales are planned, we are now comfortable with our debt levels going forward. We will continue to invest in securing planning consents on our greenfield land portfolio to enable us to supply the recovering housebuilding market and where commercial development is capable of creating a viable long-term investment. We therefore continue to retain a strong portfolio of opportunities which we will bring forward as markets improve and when we are comfortable that the expected returns are commensurate with the risks associated with these activities.

OUTLOOK

Whilst the general economic background and the property market, in particular, remains tough, I believe that the market is beginning to recover from its low point. I also believe, however, that the recovery will be patchy and relatively long drawn out. Therefore, the prudent strategy outlined above is the correct one until we can see clear evidence of a sustained recovery. We retain significant headroom in our three year debt facilities and this, along with the support of our long-term banking partners, will allow us to gear up again as the recovery takes hold, using the potential we already have in our portfolio to generate healthy shareholder returns once again.

Whilst the general economic background and the property market, in particular, remains tough, I believe that the market is beginning to recover from its low point.

JOHN REIS
CHAIRMAN
1 APRIL 2010

Business review

There are signs that, selectively, the market is recovering in certain areas which may allow profitable development to take place in 2010 and beyond.

OPERATIONS REVIEW

Our long-term aim remains the value enhancement of land through development, planning promotion and construction. Throughout the period under review, all sectors of our business have been affected by the recession so well publicised and resulting from the banking crisis from September 2007 onwards.

The property market continues to suffer from a lack of liquidity, at an individual level in the mortgage market where high deposit levels continue to be the norm, through to institutional grade investments where lower loan to value covenants reduce the scope to raise debt against the value of property. Coupled with this are the property holdings that the banks have taken 'on balance sheet' which will have to be dealt with. This means that most traditional funders to the UK property market are seeking to reduce their exposure to the market rather than increase it.

In many cases development returns on cost are below market yields and therefore we are very cautious of committing to development on the sites we hold. However, there are signs that, selectively, the market is recovering in certain areas which may allow profitable development to take place in 2010 and beyond.

Our land planning and promotion business, Hallam Land, is a very long-term operation with planning consents taking between five and 20 years to achieve. 2009 proved to be a very difficult year as house builders de-stocked land as the demand for new housing declined quickly. The outlook appears to be a little better with almost all major house builders who have reported indicating that they are looking to replenish their land banks at current market prices in anticipation of a growing market from now onwards.

The construction division, with its performance underpinned by the solid recurring revenues from our PFI project, Road Link A69, performed very well, helped by a large provision release of £8.2m arising from the settlement of the Office of Fair Trading (OFT) investigation into cover pricing which concluded at the end of the year. The current uncertainty as

to the scale of cutbacks in capital spending by Central Government, arising from the need to reduce the budget deficit, is the major future concern in this business. Plant hire had a very difficult year but we curtailed all but essential capital expenditure and downsized the hire fleet during the year so that the business was cash generative, despite making a small operating loss.

Our key focus at Group level over this very difficult two years has been to retain as much of the NAV created in the period up to the end of 2007 as possible and to reduce our borrowings. NAV at December 2009 is about £6.0m lower (3%), and debt has been reduced from £70.9m (39% gearing) to £32.1m (18% gearing) during the period, overall a creditable performance.

The second half of 2009 showed some stability in investment property and land values. It is hoped that the downward valuation phase is over, though we believe any recovery will be slow and patchy. It will be the focused management teams who can work the opportunities available to them who will generate cash and profit over the next few years and we believe we have the team and opportunities to do that.

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PROPERTY

Property values during the early months of 2009 continued the decline seen in the last quarter of 2008. The second half of 2009 saw a measure of recovery resulting in a write back of some of the investment property valuation losses reported at the half-year stage.

It is no surprise that the falls in property asset values have pushed a considerable number of developers into difficulties, as it has lenders to the industry. As always, someone's problem is someone else's opportunity and we are finding that opportunities are becoming available as the problems resulting from the collapse in values begin to be resolved. In certain circumstances, in exchange for providing human and financial resource, we will be able to unlock opportunities which should allow us to create future value with modest financial exposure.

INVESTMENTS

During the year a number of properties were sold. These included two Group occupied properties in London, retail units in York and Bromborough, a large distribution warehouse in Stoke-on-Trent occupied by the Co-op, land for an Asda supermarket in South Shields, land with planning permission for a Tesco in Worksop and a variety of industrial and office units on our large schemes at Hull and Markham Vale near Chesterfield. Future disposals will be considered in the light of market conditions and our stated objective of reducing gearing or recycling capital into profitable future property development.

On the lettings front, our efforts during the year were targeted towards securing tenants on commercial terms for the empty space in our completed developments. We met with some success, but retailers remain cautious with regard to acquiring new space and are demanding expensive packages to enter into leases. Whilst the letting market remains difficult, on the whole where we concluded rent reviews during the year we have not seen rental values fall.

Our largest retail investment at Ayr in Scotland saw the major part of the asset devaluation as yields moved out. We achieved further lettings during the year and have sufficient ongoing retailer interest to suggest we can expect further lettings during 2010; filling the vacancies will have a positive effect on the investment value. We also found it difficult to improve the office letting position at our mixed-use scheme in

Bromley and once again we aim to improve the position in 2010. On a more positive note, our major mixed-use scheme at The Axis, Nottingham, a converted department store, is fully let and is now producing annual rental income of almost £1.8m.

We completed three developments in the year which were brought into valuation at the year end. The first 50,000 sq ft of our 100,000 sq ft retail warehouse scheme at Rotherham was built and fully occupied by B&Q during 2009. The infrastructure for the rest of the scheme has been put in place and we are marketing the remainder of the site to prospective tenants but the second phase of the scheme will not be built out until profitable pre-lets are secured. Secondly, Sandlands Court, Mansfield, a small 10 unit, mixed-use, district centre scheme was completed with all units either let or sold. In both cases, the construction contracts were undertaken successfully by Henry Boot Construction. Finally, in Port Talbot we completed a 23,000 sq ft retail scheme of four units and terms have now been agreed to let the final unit.

Our fashion based retail scheme with A1 retail consent at South Shields continued to perform well and was disposed of in the early part of 2010. During the year values were enhanced by the completion of the adjacent Asda supermarket which has now commenced trading and completes the wider scheme. Our retail investment scheme in Falkirk, which was purchased with the intention of it being part of a much larger redevelopment

scheme, is being held pending a recovery in the market. We have not, at this stage, negotiated a satisfactory development agreement with surrounding landowners and the local authority to enable this scheme to progress.

It has been very encouraging to see the footfall at the port waiting facility at Saltwood, Kent double during the year. However, it has to grow quite a way yet to reach an acceptable level to attract the high quality retailers we aspire to. This was helped by us reaching agreement with a number of national coach operators for them to use the service area as their UK hub for European travel. In addition, we are in discussion regarding an extension to the car park to provide facilities for HGV drivers which we hope will, over time, significantly increase the utilisation of the facility.

We own a 70,000 sq ft town centre retail investment with plans for redevelopment at Beeston, Nottingham. A scheme has been agreed with Broxtowe Borough Council and solicitors are working on formalising the arrangements. Beeston is a prosperous area and we have strong interest from retailers wishing to take space in the new scheme. Our remaining interest on the Clifton Moor development at York, an 18,000 sq ft retail unit, remains unlet. Whilst we have occupier interest from retailers who have existing lease commitments, we are not yet close to securing a letting with them.



▲ Sandlands Court, Mansfield – the mixed-use district centre scheme completed and fully occupied during the year.

▶ The impressive B&Q store at Henry Boot Developments' Northfields Retail Park scheme in Rotherham opened for business.



Business review continued

We have progressed certain sites during the year which we now believe should provide a profitable outcome on completion.

OPERATIONS REVIEW CONTINUED
PROPERTY CONTINUED**DEVELOPMENTS IN PROGRESS**

In many cases market yields are higher than the return on cost of a development and this, coupled with additional tenant and construction risk, means we have not actively progressed many of the development opportunities available to us. There are some indications that the recent stabilisation and initial recovery in valuations may allow certain prime developments, with a substantial pre-let line up of good quality tenants, to progress. However, we remain very cautious and will focus on those developments where we have already invested in site values or those which are demonstrably commercially viable in today's market. That said, we have progressed certain sites during the year which we now believe should provide a profitable outcome on completion. Planning permission was granted in late 2009 in respect of our food retail scheme at Warminster. It is envisaged that construction will commence during 2010 to relocate the existing occupier, with the construction of a supermarket and three associated retail units of some 26,500 sq ft commencing during 2011.

Markham Vale, our 200 acre business park at Junction 29A on the M1, continues to attract interest even in the current market and contracts have been exchanged which will see a number of design and build schemes undertaken during 2010. We also speculatively developed a 51,000 sq ft terrace of eight industrial units, with about half either sold or let by the end of 2009, and we expect to be able to report on more lettings as 2010 progresses. The position is similar at Priory Park, Hull, where we completed the letting of our 30,000 sq ft Bridge View office development on satisfactory terms. We are now working on the final 15 acres of this site where we will either sell sites, undertake bespoke design and build packages or, in a limited way, build out small industrial and office units speculatively. During 2010 we aim to improve the planning status of this site and recommence development as market conditions improve.

FUTURE DEVELOPMENT OPPORTUNITIES

Under our development agreement with Daventry District Council we are planning two retail schemes, a 100,000 sq ft town centre redevelopment and a 140,000 sq ft edge of town retail park anchored by a major food retailer. A planning application for both schemes, which are anticipated to have a gross value of approximately £50m, will be submitted in

2010. Provided there are no delays in the planning and pre-letting processes, it is hoped we will commence the construction phase in 2011.

Planning permission has been granted for our 200,000 sq ft open A1 retail scheme in Tamworth town centre and matters will be progressed during 2010 with potential tenants who have expressed strong interest. In the meantime, we have concluded the site assembly and intend to demolish the existing buildings and derive a temporary income from its use as a car park pending redevelopment.

As regards our retail scheme at Rochdale, we intend to await an improvement in market conditions whilst attempting to improve the planning status to include food retailing on the site. We are in discussion with a variety of potential end users regarding the former Court House building on Deansgate, Manchester. We expect to finalise our development plans in 2010 which will enable a detailed planning application to be submitted. We believe this remains a strong development site and should allow us to create over 30,000 sq ft of mixed-use space for a variety of uses depending on which tenant line up we decide on. At Weston-super-Mare, the dated retail unit which we purchased three years ago is occupied on a temporary basis and will be retained until such times as redevelopment becomes viable.

Revisions to our 160,000 sq ft town centre retail scheme in Burnley have been finalised, making the scheme more readily deliverable in the current market. Our two schemes in Bodmin are currently on hold pending a market recovery, although alternative development solutions are being investigated which may allow us to commence earlier than we had thought if they successfully achieve our desired return.

We retain various other sites where we have tenant interest but will not commence development without acceptable pre-lets or plot sales. These include Longwell Green in Bristol, where we have a 20,000 sq ft small office unit scheme; Malvern, where we plan to develop a trade park, car showroom or hotel; Cumbernauld, where we own a seven acre employment site with planning consent for 83,000 sq ft of industrial accommodation and at both Maidenhead and Richmond where we have office development opportunities and have improved the planning status so that as the market improves, the viability of these schemes will return sooner than otherwise expected.

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LAND

Hallam Land Management, our land business, faced a very difficult market throughout the latter part of 2008 and during 2009. Its success is closely aligned to that of UK house builders, most of which have been restructuring their businesses to reflect recent market demand levels for housing, which are significantly below the levels prevailing up to the end of 2007. They seem to have been reasonably successful in this and there does not appear to be a significant overhang of unsold, completed property. However, their land banks are largely in equilibrium with current level of sales. Therefore, whilst we see a more stable market for greenfield land with planning consent, we do not anticipate a strong recovery in land pricing until housing production moves towards 150,000 units per annum.

Buying evidence seems to suggest that land for traditional residential development, as opposed to city centre apartments, is more highly sought after. Hallam Land has always concentrated on this market for greenfield land and is ideally placed to help meet the demand. Indeed, the five sites we marketed in 2009 received considerable interest and sales were concluded in all cases, although pricing was well below peak levels and payment was on a deferred basis. These sales included our first wind farm site at High Haswell, County Durham. Despite depressed sale values, we have included onward sales overage clauses so that should the quantity or pricing of houses on the finished site exceed the base expectation, we partially benefit from that uplift

in value. There were indications that land prices stabilised during the summer of 2009 and as house builders re-entered the market towards the end of the year, prices began to recover.

As we consistently forecast, our trading performance was significantly reduced on the record year in 2008, with revenue of £10.2m (2008: £74.7m) and a trading loss of £3.1m (2008: profit £35.5m). At 31 December 2009 we held interests in 7,933 acres (2008: 7,635 acres) with 1,679 acres owned (2008: 1,679 acres), 4,117 acres optioned (2008: 3,982 acres) and 2,137 acres under agency agreements (2008: 1,974 acres). The inventory value of these assets was £51.3m (2008: £53.9m) and we have 119 sites (2008: 130) in progress with a geographical bias towards the south and west of England and Scotland.

We continue to invest in our site portfolio and across our holdings achieved new allocations in Local Plans for almost 4,000 dwellings and secured planning consents for 2,775 dwellings, most still subject to Section 106 agreements or judicial reviews. We consciously took a number of sites through to planning application stage which on the whole proved to be rewarding. However, three sites taken to appeal following an initial planning refusal were not successful. The net write downs taken in the year through trading profit associated with these sites were £4.6m. Overall, we are pleased with this early submission

approach and we hope to see enhanced returns in the longer term from this decision.

After a relatively quiet year in 2009, we expect trading levels to begin to pick up from 2010 onwards as a result of prospective or achieved planning consents. However, we remain cautious that the market could be influenced by any changes to the Government's housing and planning policy adopted after the forthcoming General Election. We believe the need for new housing is indisputable but increasing housing provision will require strong planning policies and the availability of affordable mortgage funding to be achieved.

Of our 119 schemes, we have selected some of the sites that we hope to bring to the market over the next three years for further comment:

EXETER – we have a 30% holding alongside three large house builders in this major urban extension to Exeter at Cranbrook. This site already benefits from a minded-to-grant planning permission and will eventually include up to 7,500 houses, employment and office sites and a retail development to support the housing and employment uses. We are in discussion with landowners, Government agencies, local authorities and our three partner builders in order to bring this complex scheme forward and there are many issues to be resolved. Some 20% of our stock carrying value for land is tied up in this project and we remain confident that we will be bringing it forward in order to commence land sales within the next three years.



▲► The sales of land in 2009 achieved by Hallam Land included greenfield sites at Ampthill (above) and Bedford (right).



Business review continued

We continue to invest in our site portfolio and across our holdings achieved new allocations in Local Plans for almost 4,000 dwellings and secured planning consents for 2,775 dwellings.

OPERATIONS REVIEW CONTINUED**LAND CONTINUED**

BRIDGWATER – we have received a minded-to-grant planning consent subject to a Section 106 Agreement, along with an adjacent landholding, for 2,000 dwellings and 750,000 sq ft of industrial development. We are in advanced detailed negotiations with Wm. Morrison Supermarkets for a regional distribution hub on the site and, whilst there are complex matters to be dealt with, we expect the first residential land sales to occur in the next three years.

BIDDENHAM – here we have a significant land value tied up with a minded-to-grant planning consent for over 1,000 residential units. This is a very complex site and we have to conclude negotiations with the local authority, Network Rail and adjacent landowners. It is likely that the infrastructure expenditure will qualify for grant funding and provided all the parties can be brought together, it is possible for land sales to commence in the next three years and continue for some years after that.

WORCESTER – we propose to market this optioned site, with planning permission for some 250 units, during the early part of 2010. The balance of the site, along with adjacent land holdings, is zoned for up to 3,500 dwellings and it is hoped that a joint application on the combined holdings will be submitted in 2010.

BUCKINGHAM – we were successful in obtaining a planning permission for 700 units and 2.5 hectares of employment land on this optioned site. The judicial review period has now passed with no challenge and, whilst there are issues to be dealt with before the site is marketed, interest in it is good and it is hoped that part of the site will be marketed in 2010.

KETTERING – we hold a small proportion of the land on a site which has a minded-to-grant planning permission for up to 5,500 dwellings, subject to concluding and signing a Section 106 Agreement. However, our land is likely to be some of the first to be developed and it is possible that staged sales may be achieved over the next two years.

In addition to these larger sites, we have others which should be marketable over the next two years. These include the sale of a ground rent portfolio at Oxclose in Sheffield, a social housing site for 55 units in Chesterfield, a small site for 14 units in Stafford, the first phase of a site in St Albans, 75 units at Tillicoultry and 33 units at Bishopbriggs, both in Scotland. We will receive additional payments for sites at Dewsbury, Chudleigh

and Mansfield where land sales concluded in 2009 were staged and it is anticipated that we will receive initial overage payments on sites already sold at Stotfold and Melksham as housing development commences.

In addition to the above, which are currently the most likely sites to be marketed first, the following sites have either had a planning application submitted or we intend to submit an application in the next two years:

MANSFIELD – this jointly owned site with an overage to the original owner is intended for mixed residential and employment uses. The application should be submitted in 2010.

CHATTERIS – a planning application for 1,000 units is expected to be submitted in 2010.

IRTHLINGBOROUGH – the site has an allocation for 600 units and we anticipate submitting a planning application in 2010.

CHELLASTON – a planning application for a development of accommodation for the elderly is expected to be submitted in 2010. We have already received acceptable, outline sale terms for the site if this application is successful.

BOLSOVER – an application for 250 units has been submitted. If we are successful in the application, it is possible that this owned site will be marketed in late 2010 or 2011.

MARKET HARBOROUGH – we hope to submit an application for 1,100 units on a 50% owned site in 2010. If successful, we would expect the first land sales to take place in 2012 at the earliest.

MARSTON MORETAINE – we own a 64 acre site with a development overage of 50% to the original landowner. We have initial allocations for 125 residential units and 17 acres of industrial development, with a further 320 residential units in reserve. We hope to submit a planning application to reflect the current allocation in 2010 and, if successful, land sales are expected to commence in 2012.

Bob Brown, the founder Managing Director of Hallam Land, retired at the end of 2009 after 20 years at the helm. He made a massive contribution to Hallam Land's development and success and we all wish him well in his retirement. He has been succeeded by Keran Power who has worked for Hallam Land for 20 years, 18 of which have been as a Director.

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CONSTRUCTION

Henry Boot Construction (UK) has performed well during 2009 beating both targeted activity and profit levels. This was achieved in an increasingly competitive marketplace and, with a healthy forward order book, the Company is well placed to further consolidate its position within the construction sector in 2010. We continue to assess the risk profile of opportunities and carefully select the type of contracts and clients. Activity during the year focused on key partnering, framework and negotiated contracts, predominantly in Decent Homes, education, health and the Prison Alliance Framework. Our strategy moving forward is to continue to target public sector funded construction projects in social housing, health, security and education sectors, supplemented by suitable private sector construction opportunities in hotel and leisure, commercial, industrial and retail.

We continue to work alongside partner contractors on major Decent Homes

schemes for Sheffield City Council on the largest project of its type in the country which is being managed by Sheffield Homes; Rotherham Metropolitan Borough Council on a 22,500 homes programme being administered by 2010 Rotherham; 22,000 homes for St Leger Homes on behalf of Doncaster Metropolitan Borough Council; and on a 6,000 homes programme for Eastland Homes in Manchester. We refurbished over 3,000 properties in the year and since 2006 have now completed over 10,000 properties under these programmes. 2009 also saw an increase in the refurbishment of non-traditional constructed houses and we secured work for both Barnsley Metropolitan Borough Council and Rotherham Metropolitan Borough Council. Work in this sector will continue in coming years, together with a targeted growth in public sector new build housing and environmental improvements to housing estates.

Our Preferred Alliance Contractor Agreement with the National Offenders Management Service has seen a large number of upgrade and refurbishment contracts within secure establishments, including a major £11m contract at HM Prison Leeds, and a

programme of security improvements at Category A prisons. A number of projects are expected to come to market during 2010 which should provide good opportunities to retain a strong presence in this sector.

The education sector has seen continued consolidation during the year with facilities either being constructed or completed under partnering framework agreements with Cheshire County Council, Lancashire County Council, Derby City Council and Rotherham Metropolitan Borough Council. Further refurbishment work was also completed for Sheffield Hallam University. A number of school extension and modernisation projects have been carried out for North East Lincolnshire Council and with Rotherham Metropolitan Borough Council through our involvement in the Rotherham Construction Partnership. We also completed a 60-bed residential care home at Dinnington for Rotherham Metropolitan Borough Council under this arrangement which received the Chartered Institute of Building regional award for projects over £5m.



▲ Completion of the modernisation of the 10,000th property by Henry Boot Construction under the Decent Homes programme was cause for celebration by its tenant and our team.

► The refurbishment of a hangar and associated works and the installation of an aircraft finishing centre at Robin Hood Airport, Doncaster has been our first contract in the aviation sector.



Photo courtesy of Charlie Staniland Photography.

Business review continued

Henry Boot
Construction (UK)
has performed well
during 2009 beating
both targeted activity
and profit levels.

OPERATIONS REVIEW CONTINUED
CONSTRUCTION CONTINUED

Our strength and experience within the retail and commercial sectors continues to grow with the completion of a B&Q store at Northfields Retail Park, Rotherham, and a training facility and offices at Doncaster Robin Hood Airport for Directions Finningley CIC. In addition, we have recently been appointed to the Sheffield Teaching Hospitals framework and have been awarded our first construction project at the Northern General Hospital which will be completed during 2010. Our general works division continued to work with its long-standing customer base on civil engineering contracts in the industrial and water sectors. This was once again augmented by an increasing level of business in small building work contracts in various sectors.

ROAD LINK A69

Road Link A69 traded in line with expectations throughout the year and continues to be very cash generative as the initial road investment depreciates. We see this activity as a core element of our business portfolio and remain confident it will continue to reward us with a regular, growing return on our investment through the remainder of the concession period.

HGV traffic volumes using the A69 reduced in 2009 but income levels remained unaffected as, for some years now, HGV traffic has exceeded the contract threshold producing no income on the excess numbers. Passenger vehicle numbers were up in the year although we benefit from this at a lower rate than HGVs. The reimbursement rate used by the Highways Agency is calculated on a 'weighted' version of the price adjustment formula used to calculate cost movements in civil engineering works. This year, as the oil price and construction costs have declined, we witnessed a marginal reduction in our concession income rates. Looking forward, recent increases in the oil price and more stable construction prices are likely to result in some improvement in the position. The bad weather experienced at the end of 2009 and early 2010 will undoubtedly reduce traffic volumes and income but we have a fixed price gritting contract on the route which takes on the bad weather risk and therefore we will not face any additional costs.

During the year agreement was reached with the Highways Agency regarding payment for the future maintenance of the improvement works completed by them within the last five years. This, together with the introduction of a new 'Routine and Winter Services Code', will result in us receiving additional income during the balance of the concession period running to 2026.

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PLANT HIRE

In common with other plant hire businesses, Banner Plant faced a severely declining market as construction and housebuilding activity was cut. In these circumstances the targets for 2009 were to reduce costs wherever possible, begin to realign the size of the hire fleet to current demand levels by accelerated disposals, reduce capital expenditure, generate cash and achieve a positive return.

Despite the 23% fall in turnover, a market downturn that was more severe than predicted which led to a small trading loss, all other targets were achieved. Total operating costs were cut by £2.0m (18%), including a 20% reduction in employee numbers. Capital purchases on fleet items were cut from £4.4m in 2008 to just £0.4m, whilst disposals at original cost totalled £4.3m, reducing the fleet size by 13%.

These actions realigned the business to the current market conditions and generated £3.6m cash helping reduce unit borrowings to £4.2m, the lowest level since mid 1999. We remain cautious moving into 2010. The accommodation, powered access and compressed air departments are much less dependent on the construction industry and traded well in the year. 2010 will continue to see stringent cost control and limited capital expenditure for specific demand, with the aim of improving the trading result and generating cash once again.

FINANCIAL REVIEW CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue for the year was significantly lower at £116.5m (2008: £193.7m) as a result of reduced land sales and construction division revenues. This gave rise to a trading profit of £11.5m (2008: £44.0m), however, revaluation deficits on our investment properties and assets in the course of construction resulted in a loss before tax of £11.9m (2008: profit £19.3m). The total property revaluation deficit, including properties under construction, was £22.4m (2008: £22.4m) and largely arose in the first half of the year. On a like-for-like basis the value of the investment portfolio recovered slightly in the second half, which resulted in a deficit of £19.4m compared to the 30 June 2009 figure of £23.6m. In view of this fall in investment values, we revalued five sites held for development down by £3.0m to reflect current market conditions. Realised profits on the sale of investment properties and properties under construction were £0.9m (2008: £0.5m).

Administrative and pension expenses were 12% higher at £16.5m (2008: £14.7m) as IAS 19 pension costs and liability management costs totalling £2.4m were taken in the year. We anticipate the underlying cost base will be lower next year than in either 2008 or 2009 as we actively control our costs and take the full year benefit from reduced headcount and overhead costs resulting from exercises already undertaken in 2009.

The segmental result analysis shows that land development produced a loss of £3.1m (2008: profit £35.5m) and property development and investment activities showed a loss of £16.3m (2008: loss £17.3m). Construction division profits were higher at £16.8m (2008: £9.4m) after the release of provisions of £8.2m in connection with the OFT investigation which were no longer required. Central costs were higher at £7.5m (2008: £5.5m) after higher IAS 19 and liability management project pension costs.

Basic earnings per share were a loss of 5.7p (2008: earnings 10.8p). As referred to at the half year, the total dividend payable for the year is reduced to 2.5p (2008: 5.0p), with the second interim of 1.25p payable on 31 March 2010 rather than in May 2010.

FINANCING AND GEARING

As anticipated, net interest costs fell to £1.8m (2008: £2.8m) as we reduced our overall debt levels and benefited from lower average interest rates during 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 six times (2008: 15 times). Interest expenses are likely to reduce further in 2010 as low base rates continue and we anticipate a further modest reduction in debt levels during the year. No interest incurred in either 2009 or the previous year has been capitalised into the cost of developments in progress. It is unlikely that anything other than a small proportion of interest costs will be capitalised into investments in 2010.



◀ A Manitou 14m Telehandler in action – one of a full range of handlers from 4m to 17.4m capacity available from the Banner Plant fleet.

Business review continued

Net cash increased by £17.2m during the year which, alongside the £21.7m cash generated in 2008, resulted in Group debt levels falling from £70.9m at the start of 2008 to £32.1m at the end of 2009.

FINANCIAL REVIEW CONTINUED FINANCING AND GEARING CONTINUED

The land sales achieved in the year, partially offset by the continued investment in our investment property portfolio, saw borrowings fall by 35% to £32.1m (2008: £49.3m). Gearing on net assets of £176.2m fell by 33% to 18% (2008: net assets £190.1m, gearing 26%). All borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Included in debtors are over £4m of negotiable instruments which could be discounted if we chose to. During the year, we agreed three year committed bank facilities totalling £94m with our three banking partners which is the same overall level as the pre-existing annual facilities. In the current uncertain market, we feel this longer term facility is more appropriate and throughout the period we operated comfortably within our facility covenants and continue to do so.

TAX

The tax credit for the year is £5.9m (2008: charge £3.7m) after the significant change in net profit between the years. Tax on profit for the year is £1.3m (2008: £12.5m) and benefits from the release of a provision which was not taxable and the capital allowances claimed on the completion of several investment properties. The deferred tax credit was £7.0m (2008: £0.9m) and arose largely from the revaluation deficit and change in the IAS 19 pension deficit. Deferred tax has been calculated at 28%, being the rate expected to be applicable at the date the actual tax will arise.

CONSOLIDATED STATEMENT OF CASH FLOWS

The aim during the year was to further reduce debt levels whilst at the same time completing the opening development work in progress. We were successful in this aim and net cash increased by £17.2m during the year which, alongside the £21.7m cash generated in 2008, resulted in Group debt levels falling from £70.9m at the start of 2008 to £32.1m at the end of 2009. We feel much more comfortable with current debt levels and though we plan certain other investment property sales in 2010, these will only be undertaken on acceptable terms. As noted earlier, it is likely property development investment will be modest in 2010 and therefore, if the sales take place, a further reduction in debt may be anticipated. Net cash inflow from operating activities reduced to £11.1m (2008: £57.2m) after significantly reduced land sales, which in turn reduced inventories and profits. However, these impacts were offset by a £2.0m reduction in interest outflows and lower taxation payments of £1.4m (2008: £13.1m), primarily arising from lower payments on account of taxable profits in 2009 and capital allowances offsetting against payments on account for 2008 profits. These operating cash inflows were augmented by a £14.4m inflow (2008: £27.6m outflow) from investing activities. Cash outflows from asset purchases, largely the completion of developments in progress at the beginning of the year, were reduced to £11.3m (2008: £40.8m). However, property and asset disposals increased to £25.6m, compared to £13.2m in 2008. Dividends paid, including those to minorities, totalled £8.2m (2008: £8.0m).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Consolidated Statement of Financial Position has a rather different look to it this year as assets in the course of construction have been incorporated within investment property as required by IAS 40. Of the total investment property value of £172.3m, the market value of investment property is £121.3m (2008: £126.3m) after the adjustment for tenant incentives and the value of investment property under construction within investment property was £51.0m (2008: £79.5m) as we completed Saltwood, Port Talbot and the B&Q store at Rotherham and included these for the first time as investment properties. Disposals from investment properties were largely retail units at York and Bromborough and, from investment property in the course of construction, a 186,000 sq ft warehouse and distribution unit at Stoke-on-Trent was the key disposal.

The disclosure of the 2007 Statement of Financial Position is required by IAS 1 because IFRIC 12 required the restatement of that opening balance to reflect the inclusion of the assets within Road Link A69 of £11.5m at 1 January 2008 as an intangible asset. This requirement arose because the underlying road asset reverts to the Highways Agency at the end of the concession period. Property, plant and equipment now comprises Group occupied buildings valued at £7.0m (2008: £9.0m), with the reduction due to the disposal of two Group occupied properties in London and plant and vehicles with a net book value of £8.8m (2008: £11.8m). In total, non-current assets have reduced to £216.1m (2008: £253.0m) with the main variances arising from investment property disposals of £20.9m and revaluation losses of £22.4m.

Within current assets, inventories of £55.4m (2008: £59.0m) were lower due to the partial completion of the Priory Park development site and reduced land holdings where we wrote down land by £6.1m to reflect planning costs incurred where the application or appeal was either turned down or the chances of success are deemed to be negligible. This was offset by a write back of £1.5m where we unexpectedly achieved a consent. Trade and other receivables at £25.1m (2008: £27.2m) reflect slightly lower levels of activity.

Current liabilities have reduced by 19% to £90.0m (2008: £111.7m) as the current portion of debt fell to £31.2m (2008: £45.5m) and provisions fell to £4.0m (2008: £11.1m) as amounts previously held within the construction division for the costs of the OFT investigation were released. Net current liabilities therefore fell to £5.1m (2008: £22.9m). Non-current liabilities also fell to £34.7m (2008: £40.1m) after reductions in deferred tax and trade payables were offset by an increase in pension liabilities.

Net assets were £176.2m (2008: £190.1m) as the retained loss of £7.4m and dividends paid of £6.5m reduced retained reserves.

DEFINED BENEFIT PENSION SCHEME

The annual IAS 19 valuation of the defined benefit pension scheme showed the scheme deficit increasing slightly to £25.7m (2008: £22.6m) at the year end. The deferred tax asset associated with this was £7.2m from £6.3m in 2008. Adding back this net deficit of £18.5m (2008: £16.3m) to net assets, the 2009 deficit equates to 9.5% of equity shareholders' funds (2008: 7.9%). The deficit rose due to a decrease in long-term corporate bond yields, offset by an increase in the value of the scheme's assets, as these began to recover after the unprecedented turmoil in the financial markets. The Scheme Actuary will be performing the triennial valuation as at 1 January 2010 and we anticipate that the results of this will be available later in the year. The previous triennial valuation, performed at 1 January 2007, showed a deficit of £8.8m. Current mortality assumptions and the differential in yields between gilts and corporate bonds indicate that this deficit will have grown at the time the valuation takes place. On receipt of the 2007 triennial valuation, the Company agreed a recovery plan with the scheme trustees which included the provision of an 'on demand' letter of credit for £7.0m and additional annual contributions of £0.7m. The defined benefit scheme is closed to new entrants and new employees are offered a defined contribution scheme. In our defined benefit scheme each 0.1% change in the assumed differential between long-term investment returns and inflation affects the scheme deficit by about £3.0m. The Directors have evaluated a programme of liability management plans, some of which are in progress now and others we hope to implement later in 2010, with the aim of reducing the total liabilities our closed defined benefit scheme faces.

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 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. Construction, funding and tenant risk not matched by commensurate returns on development projects.

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

INVESTMENTS – identifying and retaining assets which have the best opportunity for long-term rental and capital growth, or conversely 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.

Business review continued

We have long established relationships with our three key funding partners, Barclays Bank, Lloyds TSB Bank and Royal Bank of Scotland.

FINANCIAL REVIEW CONTINUED **KEY RISKS CONTINUED**

TREASURY – the lack of readily available funding to either the Company or third parties to undertake property transactions can have a significant impact on the marketplace in which we operate. Due to the difficulties within the banking sector, the Group has agreed 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. Changes in Government or Government policy towards planning could impact on the speed of the consent process or the value of sites.

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 work. It is anticipated that in the short term this risk will reduce as unemployment rises.

PENSION – the Group operates a defined benefit pension scheme which has been closed to new members for some time. 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. Whilst pension schemes are a long-term commitment, regulations require us to respond to deficits in the short term.

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 and house building costs and therefore could impact on profitability if capital and land 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 much published forecast reductions in public spending could have an impact on this side of our business.

COUNTERPARTY – We depend on the stability of our customers, suppliers, funders and development partners to achieve success. In recessionary periods we pay particular attention to the financial strength of counterparties before contracting so as to mitigate financial exposure.

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 and 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, general activity levels, tender opportunities and wins, health and safety and environmental matters and contract completion, sign off and financial closure.

PLANT HIRE – activity levels by depot and class of asset, health and safety matters 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 Group performance indicators of cash and facilities, pension scheme performance, shareholder return and return on capital employed along with health and safety matters are reported on at each meeting.

RESOURCES

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

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 and; service constructors, run our PFI project and refurbish and construct buildings.

DEVELOPMENT PORTFOLIO

We have an extensive geographical spread of 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 completed investments may give a better return than developments and will be considered alongside and as an alternative to development.

STRATEGIC LAND BANK

At the year end we owned over 1,679 acres and had interests in a further 6,254 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. We anticipate that this land bank will grow in future years and represents a significant future profit opportunity to the Group.

CONSTRUCTION ACTIVITIES

The construction business works 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 seven 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 16 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 relationships with our three key funding partners, Barclays Bank, Lloyds TSB Bank and Royal Bank of Scotland. The land bank and development opportunities are held at cost and, together with the investment portfolio, have been acquired largely from retained resources ensuring our gearing levels are prudent. In the longer term we aim to achieve a high return on capital employed and a healthy dividend cover level allowing for reinvestment in our core activities which in turn create improving longer-term shareholder returns.

JAMIE BOOT
GROUP MANAGING DIRECTOR
1 APRIL 2010

JOHN SUTCLIFFE
GROUP FINANCE DIRECTOR
1 APRIL 2010

DOUGLAS GREAVES
GROUP EXECUTIVE DIRECTOR
1 APRIL 2010

Corporate social responsibility

Health and safety is, by the very nature of our business, the top priority in all our operations.

Corporate social responsibility issues are crucial to our business as society expects us, and rightly so, to take a 'bigger picture' view of the world in which we operate. However, this is nothing particularly new to Henry Boot which has had a long history of commitment in this regard before it became formally recognised. On the other hand, expectations and indeed demands continue to increase and the CSR ethos is now, more than ever, embedded in all aspects of our operations in order to meet these challenges.

HEALTH AND SAFETY: ALWAYS THE TOP PRIORITY

Health and safety is, by the very nature of our business, the top priority in all our operations. The following is the Henry Boot Health and 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 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 continue to 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.

During the year, Henry Boot Construction (UK) Limited achieved certification to the internationally recognised Health & Safety Management Standard BS OHSAS 18001:2007 (Occupational Health & Safety Assessment Series). This certification follows an intense regime of audits across all the Company's sites and premises. The certification has been provided by Lloyds Register Quality Assurance (LRQA) which is accredited by The United Kingdom Accreditation Service, a Government recognised body. Further to obtaining initial approval, six-monthly surveillance visits are carried out by LRQA to check on continuous improvement and effectiveness of Company systems. Approval to BS OHSAS 18001

demonstrates the Company's commitment to providing a healthy and safe working environment for all those affected by its activities and shows how the Company has raised the bar for health and safety expectations throughout its operations.

One of the measures of the success of our management system is the result we achieve in our reportable accident and frequency rates. The result for 2009 shows an improvement over the previous period and a year-on-year improvement over the last five years. The Company's accident record over the last five years is set out below:

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|------|------|------|------|-------------|
| Reportable accidents | 7 | 6 | 9 | 12 | 14 |
| Number of fatal injury incidents | 0 | 0 | 0 | 0 | 0 |
| Accident frequency rate (AFR) per 100,000 hours worked (including subcontractors) | 0.71 | 0.68 | 0.67 | 0.61 | 0.50 |
| Number of dangerous occurrence incidents | 0 | 0 | 0 | 0 | 0 |
| Number of prohibition notices by Health & Safety Executive | 0 | 0 | 0 | 0 | 0 |
| Number of improvement notices by Health & Safety Executive | 0 | 0 | 0 | 0 | 0 |



► Brendon Keown, Group Health and Safety Manager, on one of more than 450 site safety inspections made in the year.

Corporate social responsibility *continued*

As our crucial resource, our employees have shown great resilience and we are constantly mindful of the need to provide them with the best facilities to enable them to be motivated and to achieve their personal development goals.

HEALTH AND SAFETY: ALWAYS THE TOP PRIORITY CONTINUED

Accreditation with the Contractors Health & Safety Assessment Scheme (CHAS) is applied for annually, based on Company policy and procedures along with documentary evidence. The initial application was commented on in writing by the CHAS Scheme Manager as follows: "The application and information provided was to the highest standard and is amongst the best I have had to undertake in some years".

In October 2009, Henry Boot Construction (UK) Limited won the prestigious 'Health & Safety Award' at the annual Chartered Institute of Building South Yorkshire awards ceremony.

To further demonstrate its commitment to healthy and safe working arrangements, it has also signed the Health and Safety Executive's 'Be part of the solution' pledge to support the HSE's new strategy whereby organisations and individuals:

- agree to play their part in reducing the numbers of work-related deaths, injuries and ill-health in Great Britain;
- call on employers to put health and safety at the heart of what they do and to take a common-sense approach to health and safety;
- commit to debunking myths around health and safety that trivialise the impact of injuries, ill health and deaths on individuals and their families;
- recognise the importance of health and safety in difficult economic times and the dangers of complacency; and
- pledge to work with the Health and Safety Executive and its partners to 'Be part of the solution'.

OUR EMPLOYEES: OUR CRUCIAL RESOURCE

We readily acknowledge that 2009 has been a particularly challenging year for our employees as, at times, we have had to adjust our activities to the somewhat uncomfortable realities of the economic environment in which we have found ourselves. As our crucial resource, our employees have shown great resilience and we are constantly mindful of the need to provide them with the best facilities to enable them to be motivated and to achieve their personal development goals.

In the year under review:

- we employed 512 people at 31 December 2009, a 20% decrease on 31 December 2008;
 - we recruited 38 people in the year;
 - employee turnover equated to 26.1%. According to the Chartered Institute of Personnel and Development, the 2009 turnover rate for the construction sector was 17.8%;
 - 8.2% of our employees work part time, compared to 7.2% in 2008;
 - 19.3% of our employees were female, higher than the 17.5% reported in 2008;
 - 2.0% declared that they had a disability, against 1.1% for 2008;
 - 2.0% stated that they were from an ethnic minority, slightly higher than the 1.7% declared in 2008; and
 - the average length of service with the Group is nine years and 48.8% of our employees have more than five years' service.
- As ever, investing in our people is crucial to our ability to deliver our objectives and our employee learning and development programme in 2009 showed that:
- our 512 employees spent 810 days on formal, off the job training, equivalent to 1.58 days (2008: 1.32 days) 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;

- we spent an average of £352 per employee on employee training and development, substantially higher than the 2008 spend per employee of £289.
- 22 (4%) of our employees were sponsored to study professional qualifications; and
- having signed the Government's 'Skills Pledge' in 2008 which commits us to encouraging and supporting all employees to achieve at least a National Vocational Qualification (NVQ) at Level 2, a total of 57 employees successfully completed the following NVQs:
 - 36 in NVQ Level 2 Carpentry & Joinery, Driving Goods Vehicles, Plastering, Wall & Floor Tiling;
 - 18 in NVQ Level 3 Business, Customer Service, Site Supervision;
 - 2 in NVQ Level 4 Construction Contracting, Site Management; and
 - 1 in NVQ Level 5 Construction Management.

During 2009, all employees within the Group were once again invited to participate in an employee survey as part of the 'Best Places to Work in Construction 2009' competition which the Group had decided to enter for the second time. In the event, Hallam Land Management Limited and Henry Boot Developments Limited were short-listed for an award for the second year running and Henry Boot Construction (UK) Limited was short-listed for an award for the first year. Such a process is an excellent opportunity to gain a valuable insight into the perception of our employees in working for the Group.

It is pleasing to report that Henry Boot PLC was successfully re-accredited with the Investors in People Standard at the end of 2009.

Key elements of our employment policies include:

- 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;
- to ensure that in the event of an existing employee becoming disabled every effort is made to continue their employment and that appropriate training is provided; 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.

CORPORATE GOVERNANCE: MAINTAINING THE HIGHEST STANDARDS

Henry Boot is committed to the highest standards of corporate governance and details of its policies and its adherence to 'The UK Corporate Governance Code' issued by the Financial Reporting Council are set out on pages 35 to 37. We acknowledge that this topic is particularly relevant in a year in which UK boardrooms have been subject to intense scrutiny.

CHARITY WORK AND COMMUNITY INVOLVEMENT: A LONG-TERM COMMITMENT

Our Give-As-You-Earn Scheme is one of the cornerstones of the Company's charitable giving activities. Donations made by employees under this Scheme are matched by the Company on a £1 for £1 basis and, with employee's deductions from pay being tax free, this is an extremely effective way of supporting the chosen charities of our workforce. During the year we were rewarded with a Payroll Giving Quality Mark Silver Award for commitment to good causes and the local community, the second time we have received such an award.

Our involvement in the South Yorkshire Community Foundation (SYCF) continues and the specific Henry Boot Fund we have set up within the Foundation continues to provide much needed financial support for grass root community projects where relatively small amounts can make a real difference. Organisations supported in this way in 2009 included The Ethel Trust and The Friends of Chapelton and High Green Parks. Our £10,000 investment in the Citylife New Sheffield Employment Bond made some years ago, in essence an interest free loan to assist deprived communities in Sheffield with employment opportunities, recently matured and we decided to donate the whole of it to the Employment Bond Fund operated by SYCF.

Our involvement in the South Yorkshire Community Foundation continues and the specific Henry Boot Fund we have set up within the Foundation continues to provide much needed financial support for grass root community projects.

Corporate social responsibility *continued*

We have continued our involvement with local communities as a result of the Decent Homes programmes we are undertaking in a variety of locations.

CHARITY WORK AND COMMUNITY INVOLVEMENT: A LONG-TERM COMMITMENT CONTINUED

Other organisations we supported during the year with sizeable donations included the Army Cadet Force Outreach, a youth and community project to help socially disengaged young people, the Cutlers Hall Preservation Trust, the recently established Rotherham branch of the National Autistic Society and Chess for Derbyshire Schools. We are supportive of employees who carry out fundraising activities and made a £1,000 donation in support of the £1,300 that Eric Walker, 65, of Henry Boot Construction raised by climbing Ben Nevis in aid of BBC Radio Sheffield Kids Scanner Appeal after being inspired by the excellent care his grandson received at Sheffield Children's Hospital. Overseas, we were very happy to help provide some sponsorship for Ed Hutchinson, a Senior Project Manager with Henry Boot Developments who, for three weeks, was a

volunteer site labourer on a community building project in Mandeville, Jamaica. In addition, many charity day events in which employees participate are topped up with Company donations. Our Finance Director, John Sutcliffe, has a significant involvement with The Variety Club of Great Britain in the Yorkshire Region and is supported by the Company in this regard.

We have continued our involvement with local communities as a result of the Decent Homes programmes we are undertaking in a variety of locations. For example, in Sheffield, as a contribution to Environmental Week hosted by Sheffield Homes, we took part in a tree renewal project with local school children, with new trees being planted to replace those that had come to the end of their natural life. Such a project aims to help Sheffield retain its position as one of the greenest cities in Europe. At Scawsby, near Doncaster, we helped refurbish a local



◀ We helped support Ed Hutchinson's role in a much needed community building project in Jamaica.

community centre to match the work we were carrying out on surrounding council properties. Again in Doncaster, on the Highfields estate, hundreds of residents were treated to a very successful Company sponsored Fun Day. We were also involved with a project whereby pupils in Sheffield schools were asked to design board games on the theme of preventing youngsters from getting hurt on building sites and there were more than 100 entries to the competition which saw two schools win £1,000 each.

OUR ENVIRONMENTAL RESPONSIBILITIES: PROTECTING THE FUTURE

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.

During the year Henry Boot PLC was presented with a 'Significant Improver' award at The Prince's May Day Network Event, an award to companies that show an improvement of greater than 10% over the previous year's Business in the Community's Yorkshire and Humber Environment Index submission. Our score of 87.17%, which put us in the Silver category in the overall league table, made us one of only three construction companies in this category. The Prince's May Day Network is the UK's largest group of businesses committed to take action on climate change. We are a network member and have committed further pledges to reduce our environmental impact and carbon emissions.

The environmental performance of our construction activities is continually measured against Constructing Excellence Key Performance

Indicators (KPIs) and its 2009 KPI performance was 93%. Its target for zero pollution incidents/ breaches of legislation, enforcement of legislation and best practice was achieved. Approval of its Management System to the requirements of ISO 14001:2004 (Environmental Management) has been maintained. We are committed to reducing waste to landfill by increasing the reuse and recycling of materials through design and best practice. To support this, we have signed up to the Waste Resource and Action Programme's (WRAP) 'Halving Waste to Landfill by 2012' commitment. For example, working with St Leger Homes under Doncaster's Decent Homes programme, waste to landfill has been reduced from 18% to 3%.

As a Group, we are involved with the CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment) which is the UK's climate change and energy saving scheme. It is central to the UK's strategy for improving energy efficiency and reducing carbon dioxide emissions, as set out in the Climate Change Act 2008. It has been designed to raise awareness in large organisations, especially at senior level, and encourage changes in behaviour and infrastructure.

▼ Local residents were appreciative of the assistance we gave them to refurbish their community centre in Scawsby, Doncaster.



Board of directors



JOHN REIS
NON-EXECUTIVE CHAIRMAN

John Reis, MA, 72, 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.



JAMIE BOOT
GROUP MANAGING DIRECTOR

Jamie Boot, 58, 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.



JOHN SUTCLIFFE
GROUP FINANCE DIRECTOR

John Sutcliffe, BA, ACA, 50, 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.



DOUGLAS GREAVES
EXECUTIVE DIRECTOR

Douglas Greaves, 72, 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. He will be retiring at the end of June 2010.



JOHN BROWN
NON-EXECUTIVE DIRECTOR

John Brown, FCCA, CTA, 65, 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 Norcros plc and a Non-executive Director of Lookers plc, both London Stock Exchange listed companies, and he holds a number of other directorships. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.



MICHAEL GUNSTON
NON-EXECUTIVE DIRECTOR

Michael Gunston, FRICS, 66, 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.

Subsidiary company managing directors

HENRY BOOT DEVELOPMENTS LIMITED
DAVID ANDERSON, BSC (HONS), MRICS, 43, 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
SIMON CARR, BSC, MRICS, 51, has been with Henry Boot for over 21 years. He has held a number of positions on the construction side of the business, more recently as Partnering Manager and as Operations Director. He took over as Managing Director in September 2009

from Mick Mosley who retires at the end of May 2010. Simon is currently the President of the Yorkshire Builders' Federation and has two grown-up children who have followed him into the construction industry.

BANNER PLANT LIMITED
GILES BOOT, BA (HONS), 50, 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
KERAN POWER, MRTPI, 59, began his career in Local Government as a planning officer. He joined the newly created Hallam Land Management Limited in 1990 and was appointed a Director in 1993. He became only its second Managing Director at the beginning of 2010 upon the retirement of Bob Brown. Keran is a Chartered Town Planner and for a number of years was a member of the National Council of The Royal Town Planning Institute.

Company advisers

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HAWSONS, CHARTERED ACCOUNTANTS
Pegasus House
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Sheffield S9 2WH
LLOYDS TSB BANK PLC
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Sheffield S1 1HP

THE ROYAL BANK OF SCOTLAND PLC
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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 2009:
23 March 2010
First 2010 Interim Management Statement:
early May 2010
Half-yearly Results 2010: end August 2010
Second 2010 Interim Management Statement:
mid November 2010
Trading Update 2010: mid January 2011

ANNUAL REPORT AND FINANCIAL STATEMENTS 2009 AND HALF-YEARLY REPORT 2010 POSTED TO SHAREHOLDERS
Annual Report and Financial Statements 2009:
by 27 April 2010
Half-yearly Report 2010: early September 2010

ANNUAL GENERAL MEETING
28 May 2010

DIVIDENDS PAID ON ORDINARY SHARES
2009 Second Interim: 31 March 2010
2010 Interim: end October 2010

Directors' report

The Directors have pleasure in presenting the Annual Report and the audited Financial Statements for the year ended 31 December 2009.

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 Consolidated Statement of Comprehensive Income on page 42. 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.

As announced on 12 February 2010, a second interim dividend of 1.25p per ordinary share is to be paid on 31 March 2010 to ordinary shareholders on the register at the close of business on 5 March 2010. This, together with the interim dividend of 1.25p per ordinary share paid on 22 October 2009, will make a total dividend of 2.5p per ordinary share for the year ended 31 December 2009.

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 6 to 17.

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 48 and details of credit risk, liquidity risk, capital risk management and cash flow risk are given respectively in notes 15, 21, 20 and 22 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 73 and 74 includes the following resolutions:

- an ordinary resolution (Resolution 6) 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 22 March 2010. The authority will expire on 27 August 2011 or until the next AGM whichever is the shorter 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 7) 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 22 March 2010). The authority will expire on 27 August 2011 or until the next AGM whichever is the shorter but it is the present intention of the Directors to seek annual renewal of this authority; and
- a special resolution (Resolution 8) 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 22 March 2010). 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 best interests of shareholders generally. 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.

DIRECTORS

J S Reis, E J Boot, D Greaves, J T Sutcliffe, J E Brown and M I Gunston held office as Directors throughout 2009. Their biographical details are shown on page 24.

In accordance with the Articles of Association of the Company, J S Reis and E J Boot 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 2009 | | At 1 January 2009 | |
|----------------------|---------------------|----------------|-------------------|----------------|
| | 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 | 5,751,437 | 335,085 | 5,665,037 | 597,830 |
| Preference | 14,753 | — | 14,753 | — |
| D Greaves | | | | |
| Ordinary | 149,525 | — | 398,970 | — |
| J T Sutcliffe | | | | |
| Ordinary | 65,000 | — | 65,000 | — |
| J E Brown | | | | |
| Ordinary | 15,000 | — | 15,000 | — |
| M I Gunston | | | | |
| Ordinary | 23,000 | — | 23,000 | — |

Between 31 December 2009 and 22 March 2010, 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 38 to 40.

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 other 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 22 March 2010, 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 and J J Sykes | 20,382,000 | 15.65 |
| FMR Corp* | 12,979,170 | 9.96 |
| BT Pension Scheme Trustees Limited* | 11,662,110 | 8.95 |
| Hermes Specialist UK Focus Fund | 9,731,720 | 7.42 |
| The Fulmer Charitable Trust | 5,739,580 | 4.41 |

* Notified as indirect voting rights.

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.

Directors' report continued**GOING CONCERN**

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Operations Review on pages 6 to 12. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 13 to 17.

As highlighted in note 21 to the Financial Statements, the Company meets its day-to-day working capital requirements through a secured loan facility, which includes an overdraft facility, which is due for renewal on 7 May 2012. The current economic conditions create uncertainty for all businesses over a number of risk areas. As part of their regular going concern review the Directors specifically address all the risk areas that they consider material to the assessment of going concern. The report arising from these discussions is made available to the auditors and the conclusion is that the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in preparing the annual 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 21.

The Company continues to encourage employee share ownership through participation in its savings related share option scheme. The Henry Boot PLC 2000 Sharesave Scheme will expire on 26 May 2010 and accordingly an ordinary resolution (Resolution 11) will be proposed at the forthcoming AGM to enable a replacement scheme, to be known as The Henry Boot PLC 2010 Sharesave Plan, to be approved and adopted. In addition, an ordinary resolution (Resolution 10) will also be proposed at the AGM to approve and adopt a Company share option plan, to be known as The Henry Boot PLC 2010 Approved Company Share Option Plan. Details of both these plans are set out below.

SHARE PLANS

The Company proposes to establish a new approved Company share option plan ('Approved Plan') and sharesave plan to replace the Henry Boot PLC 2000 Sharesave Scheme ('Sharesave Plan') (together, 'the Plans') under which Directors and employees of the Henry Boot PLC group of companies can be offered options ('Approved Options' and 'Sharesave Options' respectively) to acquire ordinary shares.

Application has been made for HM Revenue & Customs' approval for the Plans. It is anticipated that approval will be obtained shortly following the AGM.

The Approved Plan shall be administered by the Remuneration Committee of the Board ('Remuneration Committee') and the Sharesave Plan shall be administered by the Board.

Set out below is a summary of the principal features of both Plans. This summary assumes that Resolutions 10 and 11 set out in the Notice of AGM have been passed by Shareholders. The principal features of each Plan are as follows:

1. APPROVED PLAN**1.1. PARTICIPATION****1.1.1. ELIGIBILITY**

Any full-time director or employee (full-time or part-time) of any company within the Group is eligible to participate. Actual participation is at the discretion of the Remuneration Committee. Approved Options are personal to the participant and not capable of assignment except that, on death, the Approved Option holder's personal representatives may exercise the Approved Option within twelve months following the Approved Option holder's death. Approved Options shall be granted by deed with no consideration payable by the participant.

1.1.2. INDIVIDUAL PARTICIPATION LIMIT

- (a) The aggregate subscription price (at the date of grant) of all outstanding Approved Options granted to any one participant under the Approved Plan and under any other approved share option scheme adopted or operated by the Company (but excluding options granted under any savings related share option scheme) may not exceed £30,000.
- (b) The aggregate market value (at the date of grant) of ordinary shares over which Approved Options may be granted to any one participant in any one financial year of the Company under the Approved Plan shall not normally exceed two times the amount of that participant's remuneration for that financial year.

1.2. EXERCISE**1.2.1. EXERCISE PRICE**

The exercise price for each ordinary share under Approved Option under the Approved Plan will be the higher of the nominal value of an ordinary share at the date of grant and the market value of an ordinary share at the date of grant.

1.2.2. EXERCISE OF APPROVED OPTIONS

An Approved Option will normally be exercisable only within the period of three to ten years after the date of grant.

Approved Options may also be exercised (even if this is within the period of three years from the date of grant) where employment ceases due to the participant's death, ill-health, injury, disability, redundancy, retirement at normal retirement age, on the participant's employing company or business ceasing to be within the Group or, at the discretion of the Remuneration Committee and to the extent specified by the Remuneration Committee, on the participant in question leaving employment for any other reason. In each of these situations (other than on death), the Approved Option must be exercised, if at all, by the expiry of the period of six months following the cessation of employment. In the case of death, the participant's personal representatives may exercise the Approved Option within twelve months following the death. If the employment ceases for any other reason, the Approved Option will lapse. Where, in these circumstances, exercise is permitted within three years of the date of grant of an Approved Option, there shall be no requirement for any performance target to be met but the Approved Option may not be exercised in full, but on a pro rata basis taking into account the period of time which has elapsed since the date of grant other than where exercise is permitted at the Remuneration Committee's discretion, in which case the Remuneration Committee shall specify the extent to which the Approved Option shall be capable of exercise.

1.3. PERFORMANCE TARGET

The Remuneration Committee may impose objective conditions as to the performance of the Group which must normally be satisfied before Approved Options can be exercised.

1.4. APPROVED PLAN LIMITS

The Approved Plan imposes limits on the numbers of ordinary shares over which Approved Options may be granted as follows:

- 1.4.1. the total number of ordinary shares over which options to subscribe may be granted under all share option schemes of the Company (including the Approved Plan and Sharesave Plan), whether on a discretionary basis or on any other basis, and issued or issuable under all other share schemes of the Company shall not, in any consecutive ten-year period, exceed 10% of the ordinary shares in issue from time to time. Lapsed and surrendered options and ordinary shares transferred from treasury to satisfy Approved Options shall be disregarded for this purpose; and
- 1.4.2. the total number of ordinary shares over which options to subscribe may be granted under all share option or other share schemes of the Company on a discretionary basis (including the Approved Plan but not the Sharesave Plan) shall not, in any consecutive ten year period, exceed 5% of the ordinary shares in issue from time to time. Lapsed and surrendered options but not ordinary shares transferred from treasury to satisfy options shall be disregarded for this purpose.

1.5. INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS

The Approved Plan contains provisions that will ensure that any income tax and employee's national insurance contributions that arise as a result of the exercise of any Options will be payable by the participant. The Remuneration Committee may determine that the participant shall also be liable for any employer's national insurance contributions which arise.

1.6. TAKEOVERS

In the event of a takeover, amalgamation or reconstruction of the Company, Approved Options may be exercised under the Approved Plan to the extent determined by the Remuneration Committee, having regard to all the circumstances, within six months of such event. Alternatively, with the agreement of the acquiring company, Approved Options may be exchanged for Options over shares in the acquiring company or in a company associated with the acquiring company.

2. SHARESAVE PLAN

2.1. ELIGIBILITY

Any full-time director and any employee (full-time or part-time) of any company within the Group who has been with the Group for a period determined by the Board (not exceeding 430 days) is eligible to participate ('Participant'). Invitations to participate, as well as the Sharesave Options themselves, are personal to the Participant and may not be assigned.

2.2. SAVINGS CONTRACT

Each Participant who applies for an Sharesave Option must enter into a savings contract ('Contract') approved by the Board for a period of three or five years. The Participant will make monthly savings to the Contract of an amount, decided by the Participant, up to the maximum specified by the Board. This will not exceed the maximum from time to time permitted by the legislation. No other payment is required for the grant of a Sharesave Option.

2.3. APPLICATION FOR SHARESAVE OPTIONS

If the Board receives applications for Sharesave Options over more ordinary shares than are available, the applications shall be scaled down on a pro rata basis as specified in the rules of the Sharesave Plan to the minimum savings level. If there are still insufficient ordinary shares available after such scaling down, then successful applicants will be chosen by lot.

2.4. EXERCISE OF SHARESAVE OPTIONS

The exercise price will be the higher of the nominal value of the ordinary shares and the market value of the ordinary shares as agreed with HM Revenue & Customs. The Board has discretion to offer a discount of up to 20% of the middle market value as so agreed, or such other percentage as may from time to time be permitted by the legislation.

The number of ordinary shares over which a Participant will be granted a Sharesave Option will be the number of ordinary shares which, taking into account the price payable on exercise of the Sharesave Option, can be purchased with the amount saved under the Contract (which will normally include a bonus payable under the Contract).

Except in the event of the Participant's death, no Sharesave Option may be exercised later than six months after the maturity date of the Contract ('Maturity Date'). In the event of death, the Sharesave Option may be exercised by the Participant's personal representatives within twelve months of the Participant's death but no later than twelve months after the Maturity Date.

Sharesave Options will lapse if the Participant ceases to be employed within the Group. Exceptionally, if the reason for ceasing to be so employed is the injury, disability or redundancy of the Participant or his retirement at normal retirement age, Sharesave Options may be exercised within six months after such cessation. In addition, if the Participant's employing company or business ceases to be within the Group, Sharesave Options may generally be exercised within six months after such event (or, if the Participant ceases to be an employee of that company or business by reason of death, injury, disability, redundancy or retirement at normal retirement age, within six months of such cessation of employment, if later). Except as mentioned above, Sharesave Options may not be exercised later than six months after the Maturity Date.

If a Participant retires early by agreement with his employer and this occurs more than three years after the grant of the Sharesave Option, the Sharesave Option may be exercised within six months of his retirement.

If a Participant ceases to be employed within the Group for any other reason, that Sharesave Option shall lapse.

If a Participant reaches age 65 but continues to be employed within the Group, he may exercise his Sharesave Option within six months of reaching that age.

Directors' report continued**SHARE PLANS CONTINUED****2. SHARES/SAVE PLAN CONTINUED****2.5. SHARES/SAVE PLAN LIMITS**

The Sharesave Plan imposes limits on the number of ordinary shares over which Sharesave Options may be granted. The total number of ordinary shares over which options to subscribe may be granted under all share option schemes of the Company (including the Approved Plan and Sharesave Plan), whether on a discretionary basis or on any other basis, and issued or issuable under all other share schemes of the Company shall not, in any consecutive ten year period, exceed 10% of the ordinary shares in issue from time to time. Lapsed and surrendered options but not ordinary shares transferred from treasury to satisfy options shall be disregarded for this purpose.

2.6. TAKEOVERS

In the event of a takeover, amalgamation or reconstruction of the Company, Sharesave Options may be exercised under the Sharesave Plan within six months of such event. Alternatively, with the agreement of the acquiring company, Sharesave Options may be exchanged for options over shares in the acquiring company or in a company associated with the acquiring company.

3. FEATURES COMMON TO BOTH PLANS**3.1. GRANT OF OPTIONS**

Approved Options and Sharesave Options may initially be granted under each Plan after adoption of each Plan and approval by HM Revenue & Customs and, after that, normally within 42 days after the announcement by the Company of its half-yearly or final results or of its results for any other period. Without further shareholder approval, Approved Options and Sharesave Options may only be granted within ten years of shareholder approval of the Plans.

3.2. SHARES ISSUED ON EXERCISE OF APPROVED OPTIONS AND SHARES/SAVE OPTIONS

Ordinary shares allotted under each Plan will rank equally with the Company's existing issued ordinary shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the Approved Option or Sharesave Option).

3.3. VARIATION OF SHARE CAPITAL

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital or otherwise, then the number of ordinary shares subject to a subsisting Approved Option or Sharesave Option and the price payable on exercise may be adjusted. Except in the case of a capitalisation issue, no adjustment may be made without the prior confirmation in writing of the auditors of the Company that the adjustment is in their opinion fair and reasonable. No adjustment can be made under the Plans without the prior approval of HM Revenue & Customs at any time whilst that Plan is an approved plan.

3.4. ALTERATIONS TO THE PLANS

The Board or Remuneration Committee, as appropriate, may alter each Plan but certain amendments cannot take effect without shareholder approval, unless they are amendments to comply with or to take account of applicable legislation or statutory regulations or any change in them or to maintain favourable taxation treatment for the Company or Participants or potential Participants under the Plans. The amendments which will generally require shareholder approval are amendments to the limits on the number of ordinary shares which can be offered under the Plans, the category of persons who may participate, the exercise price of Approved Options or Sharesave Options, the number of ordinary shares over which a Participant may hold an Option, the period during which Approved Options or Sharesave Options may be granted and exercised, the rights attaching to ordinary shares subject to an Approved Option or Sharesave Option, the provisions for altering share capital and for altering the terms of the Plans and the provisions which apply on a winding up of the Company.

No alteration to a key feature of the Plans may be made without prior HM Revenue & Customs' approval at any time whilst that plan is an approved plan.

3.5. PENSION RIGHTS

None of the benefits which may be received under the Plans shall be pensionable.

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 18 to 20.

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 2009 the Company had an average of 32 days' (2008: 30 days') purchases outstanding in trade creditors.

CHARITABLE DONATIONS

Donations for charitable purposes totalled £28,300 (2008: £56,818). Details of some of the charities supported are set out in the Corporate Social Responsibility Report on pages 21 to 23. 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 and by special resolution on 21 May 2009) ('the Articles') and applicable English law concerning companies (the Companies Act 2006). This is a summary only and the relevant provisions of the Companies Act 2006 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 22 March 2010, 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. Both classes of share are admitted to the Official List of The Listing Rules of The Financial Services Authority. With effect from 6 April 2010, a new listing regime comes into effect and will result in the Company's ordinary shares being categorised as 'Premium Listed' and its preference shares as 'Standard Listed'. Premium Listing will replace what is currently known as 'Full Listing' and Standard Listing replaces 'Secondary Listing' (which is currently only available to non-UK companies). A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing demands higher standards and imposes more extensive disclosure requirements.

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

Subject to the Companies Act 2006 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 Act 2006, 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.

Directors' report continued

ADDITIONAL INFORMATION FOR SHAREHOLDERS CONTINUED

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 Act 2006, 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 Act 2006.

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 28 May 2010 are set out in the Notice of AGM on pages 73 and 74 of this Annual Report and 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 TO ARTICLES OF ASSOCIATION

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

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.

TAKEOVERS AND SIGNIFICANT AGREEMENTS

There are no significant agreements to which the Company is a party that take effect, alter or terminate on a change of control of the Company following a takeover bid with the exception of:

- share plans as set out on pages 28 to 30; and
- bank facilities which upon the occurrence of a takeover the lenders shall consult with the Company for a period of not greater than 30 days to determine whether and on what basis the lenders are prepared to continue the facilities.

There are no persons, with whom the Company has contractual or other arrangements, who are deemed by the Directors to be essential to the business of the Company.

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

As a result of the outcome of a tender process for the provision of audit services, resolutions appointing PricewaterhouseCoopers LLP as auditors and authorising the Directors to fix their remuneration will be proposed at the AGM (Resolutions 4 and 5). The current auditors, Hawsons, have confirmed that they will not seek re-appointment as auditors of the Company at the AGM and that they will therefore cease to hold office at the conclusion of the AGM.

On behalf of the Board

J T SUTCLIFFE
COMPANY SECRETARY
1 APRIL 2010

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 EU and as regards the Group Financial Statements, Article 4 of the IAS Regulation. 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 (EU); 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 are sufficient to show and explain the Company's transactions and 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 2006. 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 corporate and financial information included on the Company's website. 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 page 24, 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 or loss of the Company and the undertakings included in the consolidation taken as a whole; 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 the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

E J BOOT
DIRECTOR
1 APRIL 2010

J T SUTCLIFFE
DIRECTOR
1 APRIL 2010

Corporate governance statement

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 UK Corporate Governance Code ('the Code') (previously known as The Combined Code on Corporate Governance) issued by the Financial Reporting Council 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 wellbeing 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 as such.

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 26 and their biographical details are set out on page 24. 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 2009 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 for part of each meeting, 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.

At the end of the year, taking into account the fact that the current auditors, Hawsons, Chartered Accountants, have held their position for a number of decades, the Committee agreed that the position of auditors to the Company should be the subject of a tender process and a number of firms, including the current auditors, were invited to make submissions for the position. After a comprehensive and in-depth selection process, the Committee's recommendation to the Board was that PricewaterhouseCoopers LLP (PWC) be proposed as auditors to the Company and accordingly a resolution (Resolution 4) appointing PWC will be proposed at the AGM of the Company to be held on 28 May 2010. Hawsons have confirmed that they will not seek re-appointment as auditors and that they will cease to hold office at the conclusion of the AGM.

Those serving as members of the Remuneration Committee in 2009 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 awards 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.

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.

Corporate governance statement continued**PART 1: THE APPLICATION OF THE PRINCIPLES OF THE CODE CONTINUED****A. DIRECTORS CONTINUED****6. PERFORMANCE EVALUATION**

The Executive Directors' performance is reviewed annually 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 the Non-executive Directors met with the Group Managing Director to review the composition of the Board after the retirement of D Greaves in June 2010. It was agreed that, at present, it was appropriate for the Board to consist of two Executive Directors and three Non-executive Directors, including the Chairman, from that date.

In 2008 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 which were incorporated into Board procedures. No changes to this were considered necessary in 2009.

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 38.

C. ACCOUNTABILITY AND AUDIT**1. FINANCIAL REPORTING**

Details of the Directors' responsibilities and the Directors' Responsibility Statement are contained on page 34. The Independent Auditors' Report is given on page 41.

The Directors' statement in respect of the business as a 'going concern' is provided in the Directors' Report on page 28.

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 and Financial Statements.

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 controls in place and any matters of concern are raised at Board meetings.

3. AUDIT COMMITTEE AND AUDITORS

The terms of reference of the Audit Committee fully incorporate the Code's 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 2009 proxies were received representing 69% 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 2008 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 Director.

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.

On behalf of the Board

J T SUTCLIFFE
COMPANY SECRETARY
1 APRIL 2010

Directors' remuneration report

The Directors present the Directors' Remuneration Report for the year ended 31 December 2009. A resolution to approve the Report will be proposed at the Company's AGM (Resolution 9). 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 2006. 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 a variety of published sources.

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 table of Directors' remuneration.

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. Any newly appointed Non-executive Director is expected to serve an initial period of at least three years. Terms and conditions relating to Non-executive Directors are available for inspection.

E J Boot, J T Sutcliffe and D Greaves each have a one year rolling service agreement. The service agreement of D Greaves will terminate on 30 June 2010 when he retires from the Company. Termination of these arrangements 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 Extraordinary General Meeting 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 an industry standard investment property 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. The award of shares made to E J Boot and D Greaves in September 2009 covering the performance period 2006, 2007 and 2008 constituted 50% of the original allocation.

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 normal 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.

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 | 2009 Total £'000 | 2008 Total £'000 |
|-----------------------------|-----------------|----------------|------------------------------|------------------------|------------------------|
| J S Reis (Chairman) | 35 | — | — | 35 | 35 |
| E J Boot | 324 | 123 | 25 | 472 | 530 |
| D Greaves | 211 | 84 | 19 | 314 | 348 |
| J T Sutcliffe | 221 | 89 | 19 | 329 | 360 |
| J E Brown (Non-executive) | 30 | — | — | 30 | 30 |
| M I Gunston (Non-executive) | 30 | — | — | 30 | 30 |
| | 851 | 296 | 63 | 1,210 | 1,333 |

LONG-TERM INCENTIVE PLAN AWARDS PERFORMANCE SHARES

| | Plan | Date of award | Market price at date of award | At 1 January 2009 | Awarded during the year | Vested during the year | Lapsed during the year | At 31 December 2009 | Earliest/ actual vesting date | Market price on vesting |
|---------------|------|------------------|--|-------------------------|-------------------------------|------------------------------|------------------------------|---------------------------|--|-------------------------------|
| E J Boot | 2006 | 20/07/2006 | 162.0p | 172,800 | — | 86,400 | 86,400 | — | 02/09/2009 | 84.0p |
| | 2006 | 15/05/2007 | 256.5p | 116,955 | — | — | — | 116,955 | 14/06/2010 | — |
| | 1996 | 23/04/2007 | 253.2p | 43,947 | — | — | — | 43,947 | 23/05/2010 | — |
| | 2006 | 12/05/2008 | 135.0p | 256,666 | — | — | — | 256,666 | 11/06/2011 | — |
| | 2006 | 05/05/2009 | 72.5p | — | 335,637 | — | — | 335,637 | 04/06/2012 | — |
| D Greaves | 2006 | 20/07/2006 | 162.0p | 111,110 | — | 55,555 | 55,555 | — | 02/09/2009 | 84.0p |
| | 2006 | 15/05/2007 | 256.5p | 76,020 | — | — | — | 76,020 | 14/06/2010 | — |
| | 1996 | 23/04/2007 | 253.2p | 24,962 | — | — | — | 24,962 | 23/05/2010 | — |
| | 2006 | 12/05/2008 | 135.0p | 167,037 | — | — | — | 167,037 | 11/06/2011 | — |
| J T Sutcliffe | 2006 | 15/05/2007 | 256.5p | 76,020 | — | — | — | 76,020 | 14/06/2010 | — |
| | 2006 | 12/05/2008 | 135.0p | 238,888 | — | — | — | 238,888 | 11/06/2011 | — |
| | 2006 | 05/05/2009 | 72.5p | — | 229,086 | — | — | 229,086 | 04/06/2012 | — |

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.

The number of shares at 1 January 2009 are the awards achievable under the Long-Term Incentive Plans' maximum performance conditions.

Directors' remuneration report continued

AUDITED SECTION CONTINUED

LONG-TERM INCENTIVE PLAN AWARDS CONTINUED

PERFORMANCE SHARES CONTINUED

Of the shares awarded on 20 July 2006, 50% vested on 2 September 2009 on the attainment of a per annum increase in net asset value per share compared to an industry standard investment property annual index and 50% lapsed due to the failure to attain the required increase in profitability compared to the Retail Prices Index.

Details of performance conditions applicable to the 1996 and 2006 Plans can be found on page 38.

There have been no variations to the terms and conditions or performance criteria for the Long-Term Incentive Plans' during the financial year.

SAVINGS RELATED SHARE OPTIONS

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

| | Number of options | | | | At 31 December 2009 | Exercise price | Date from which exercisable | Expiry date |
|---------------|-------------------------|---------------------------|-----------------------------|--------------------------|---------------------------|-------------------|-----------------------------------|----------------|
| | At 1 January 2009 | Granted during year | Exercised during year | Lapsed during year | | | | |
| E J Boot | 12,467 | — | — | — | 12,467 | 77.0p | 01/12/11 | 31/05/12 |
| D Greaves | 6,080 | — | — | — | 6,080 | 155.4p | 01/12/09 | 31/05/10 |
| J T Sutcliffe | 12,467 | — | — | — | 12,467 | 77.0p | 01/12/11 | 31/05/12 |

Details of the Scheme are set out in note 27 of the Financial Statements.

There have been no variations to the terms and conditions for share options during the financial year. Options granted under the 2000 Sharesave Scheme are not subject to performance criteria.

The market price of the ordinary shares at 31 December 2009 was 92.5p and the range during the year was 56.5p to 113.0p.

DIRECTORS' PENSION INFORMATION

1. DEFINED BENEFIT SCHEME

| | Transfer value at 1 January 2009 £'000 ⁽¹⁾⁽⁵⁾ | Transfer value at 31 December 2009 £'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 2009 £'000 ⁽³⁾ | Accumulated benefit accrued 2008 £'000 |
|----------|--|---|---|--|---|--|---|--|
| E J Boot | 3,457 | 3,776 | 318 | 295 | (3) | (115) | 221 | 213 |

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

Notes

- Mr E J Boot's transfer values as at 1 January 2009 and 31 December 2009 are based on a currently capped final pensionable salary of £331,002.
- The transfer values include changes due to revaluation in deferment.
- 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.
- The accumulated benefit accrued at 31 December 2009 represents the pension entitlement which would be preserved in the Scheme if the member had left service on 31 December 2009.
- Benefits and contributions relating to Additional Voluntary Contributions are not included in the above table.

2. DEFINED CONTRIBUTION SCHEME

J T Sutcliffe is a member of the defined contribution scheme. Contributions paid by the Company in the year were £44,290.

On behalf of the Board

J T SUTCLIFFE

COMPANY SECRETARY

1 APRIL 2010

Independent auditors' report to the members of Henry Boot PLC

We have audited the Group and Parent Company Financial Statements of Henry Boot PLC for the year ended 31 December 2009 which comprise the Consolidated Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the Accounting Policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs at 31 December 2009 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate Governance Statement, set out on page 36, with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the Financial Statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 28, in relation to going concern; and
- the parts of the Corporate Governance Statement, set out on pages 35 to 37, relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Consolidated statement of comprehensive income
for the year ended 31 December 2009

| | Note | 2009 £'000 | 2008 £'000 |
|--|------|-----------------|---------------|
| Revenue | 1 | 116,524 | 193,679 |
| Cost of sales | | (88,625) | (134,992) |
| Gross profit | | 27,899 | 58,687 |
| Other income | 1 | 29 | 31 |
| Administrative expenses | | (12,858) | (12,518) |
| Pension expenses | 4 | (3,611) | (2,211) |
| | | 11,459 | 43,989 |
| Decrease in fair value of investment properties | | (22,381) | (19,592) |
| Impairment of properties under construction | | — | (2,812) |
| Profit on sale of investment properties | | 878 | 530 |
| (Loss) profit from operations | 3 | (10,044) | 22,115 |
| Investment income | 5 | 803 | 585 |
| Finance costs | 6 | (2,651) | (3,427) |
| (Loss) profit before tax | | (11,892) | 19,273 |
| Tax | 7 | 5,926 | (3,671) |
| (Loss) profit for the year from continuing operations | | (5,966) | 15,602 |
| Other comprehensive income: | | | |
| Revaluation of Group occupied property | | (44) | (490) |
| Deferred tax on property revaluations | | 80 | 107 |
| Tax on realised surplus | | 391 | — |
| Actuarial loss on defined benefit pension scheme | | (1,595) | (182) |
| Deferred tax on actuarial loss | | 447 | 51 |
| Movement in fair value of cash flow hedge | | 65 | (69) |
| Other comprehensive income for the year | | (656) | (583) |
| Total comprehensive income for the year | | (6,622) | 15,019 |
| (Loss) profit for the year attributable to: | | | |
| Equity holders of the Parent Company | | (7,389) | 13,861 |
| Minority interest | | 1,423 | 1,741 |
| | | (5,966) | 15,602 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent Company | | (8,070) | 13,278 |
| Minority interest | | 1,448 | 1,741 |
| | | (6,622) | 15,019 |
| Basic earnings per ordinary share for profit attributable to equity holders of the parent company during the year | 9 | (5.7)p | 10.8p |
| Diluted earnings per ordinary share for profit attributable to equity holders of the parent company during the year | 9 | (5.7)p | 10.6p |
| Dividend | 10 | 2.5p | 5.0p |

Statements of financial position at 31 December 2009

| | Note | Group | | | Parent Company | | |
|--|------|----------------|-----------------------------|-----------------------------|----------------|---------------|---------------|
| | | 2009 £'000 | 2008 (restated) £'000 | 2007 (restated) £'000 | 2009 £'000 | 2008 £'000 | 2007 £'000 |
| ASSETS | | | | | | | |
| Non-current assets | | | | | | | |
| Intangible assets | 11 | 12,684 | 13,671 | 14,920 | — | — | — |
| Property, plant and equipment | 12 | 16,203 | 100,732 | 143,409 | 274 | 262 | 338 |
| Investment property | 13 | 172,290 | 126,279 | 81,458 | — | — | — |
| Investments | 14 | — | — | — | 3,862 | 21,974 | 3,037 |
| Trade and other receivables | 15 | 3,743 | 5,344 | — | — | — | — |
| Deferred tax assets | 16 | 11,131 | 7,006 | 8,709 | 7,836 | 6,560 | 6,833 |
| | | 216,051 | 253,032 | 248,496 | 11,972 | 28,796 | 10,208 |
| Current assets | | | | | | | |
| Inventories | 17 | 55,433 | 59,011 | 83,403 | — | — | — |
| Trade and other receivables | 15 | 25,071 | 27,229 | 28,809 | 190,116 | 228,211 | 240,057 |
| Cash and cash equivalents | | 4,305 | 2,579 | 2,326 | 1,885 | 98 | 29 |
| | | 84,809 | 88,819 | 114,538 | 192,001 | 228,309 | 240,086 |
| LIABILITIES | | | | | | | |
| Current liabilities | | | | | | | |
| Trade and other payables | 19 | 51,971 | 51,885 | 55,259 | 106,688 | 131,058 | 90,762 |
| Current tax liability | | 2,820 | 3,285 | 11,886 | 687 | 1,595 | 10,646 |
| Borrowings | 21 | 31,163 | 45,463 | 55,702 | 30,000 | 44,905 | 55,197 |
| Provisions | 23 | 4,004 | 11,057 | 11,291 | 1,124 | 124 | — |
| | | 89,958 | 111,690 | 134,138 | 138,499 | 177,682 | 156,605 |
| NET CURRENT (LIABILITIES) ASSETS | | (5,149) | (22,871) | (19,600) | 53,502 | 50,627 | 83,481 |
| Non-current liabilities | | | | | | | |
| Trade and other payables | 19 | 3,734 | 7,233 | — | — | — | — |
| Borrowings | 21 | 5,231 | 6,394 | 17,556 | — | — | 10,000 |
| Employee benefits | 24 | 25,732 | 22,636 | 22,454 | 25,732 | 22,636 | 22,454 |
| Deferred tax liabilities | 16 | 5 | 3,778 | 6,523 | — | — | — |
| Provisions | 23 | — | 20 | 144 | — | — | 124 |
| | | 34,702 | 40,061 | 46,677 | 25,732 | 22,636 | 32,578 |
| NET ASSETS | | 176,200 | 190,100 | 182,219 | 39,742 | 56,787 | 61,111 |
| EQUITY | | | | | | | |
| Share capital | 27 | 13,424 | 13,424 | 13,424 | 13,424 | 13,424 | 13,424 |
| Revaluation reserve | 28 | 3,349 | 4,438 | 4,809 | — | — | — |
| Retained earnings | 28 | 156,200 | 168,868 | 160,759 | 22,138 | 37,762 | 42,086 |
| Other reserves | 28 | 2,599 | 2,577 | 2,623 | 4,180 | 5,601 | 5,601 |
| Cost of shares held by ESOP trust | 14 | (602) | (764) | (1,033) | — | — | — |
| Equity attributable to equity holders of the Parent Company | | 174,970 | 188,543 | 180,582 | 39,742 | 56,787 | 61,111 |
| Minority interests | | 1,230 | 1,557 | 1,637 | — | — | — |
| Total equity | | 176,200 | 190,100 | 182,219 | 39,742 | 56,787 | 61,111 |

On behalf of the Board

E J BOOT
DIRECTOR
1 APRIL 2010

J T SUTCLIFFE
DIRECTOR
1 APRIL 2010

Statements of changes in equity at 31 December 2009

| | Note | Group | | Parent Company | |
|--|------|-----------------|---------------|-----------------|---------------|
| | | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| (Loss) profit for the year | | (7,389) | 13,861 | (21,416) | (6,877) |
| Equity dividends | | (6,464) | (6,448) | (6,469) | (6,452) |
| Dividends from subsidiaries | | — | — | 11,439 | 9,216 |
| Revaluation of Group occupied property | | (44) | (490) | — | — |
| Deferred tax on property revaluations | | 80 | 107 | — | — |
| Tax on realised surplus | | 391 | — | — | — |
| Actuarial loss on defined benefit pension scheme | | (1,595) | (182) | (1,595) | (182) |
| Deferred tax on actuarial loss | | 447 | 51 | 447 | 51 |
| Movement in fair value of cash flow hedge | | 40 | (69) | — | — |
| Share-based payments | 14 | 162 | 269 | — | — |
| Arising on employee share schemes | 27 | 799 | 862 | 549 | (80) |
| Movement in equity | | (13,573) | 7,961 | (17,045) | (4,324) |
| Equity at 31 December 2008 | | 188,543 | 180,582 | 56,787 | 61,111 |
| Equity at 31 December 2009 | | 174,970 | 188,543 | 39,742 | 56,787 |

Statements of cash flows for the year ended 31 December 2009

| | Group | | Parent Company | |
|--|-----------------|---------------|-----------------|---------------|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Cash flows from operating activities | | | | |
| (Loss) profit from operations | (10,044) | 22,115 | (27,021) | (11,918) |
| Adjustments for non-cash items: | | | | |
| Depreciation of property, plant and equipment | 3,327 | 3,982 | 133 | 130 |
| Property impairment | 106 | 2,862 | — | — |
| Goodwill impairment | 203 | 204 | — | — |
| Amortisation of PFI asset | 1,098 | 1,085 | — | — |
| Share-based payment expense | 799 | 862 | 549 | (80) |
| Pension scheme charge | 1,474 | — | 1,474 | — |
| Revaluation decrease in investment properties | 22,381 | 19,592 | — | — |
| Movements in fair value of cash flow hedge | 65 | (307) | — | — |
| Gain on disposal of property, plant and equipment | (1,516) | (354) | — | — |
| Gain on disposal of investment properties | (878) | (500) | — | — |
| Operating cash flows before movements in working capital | 17,015 | 49,541 | (24,865) | (11,868) |
| Decrease in inventories | 3,953 | 23,750 | — | — |
| Decrease (increase) in receivables | 4,158 | (3,495) | 38,095 | 11,862 |
| (Decrease) increase in payables | (11,255) | 4,119 | (5,343) | 24,926 |
| Cash generated from operations | 13,871 | 73,915 | 7,887 | 24,920 |
| Interest received | 472 | 585 | 8,294 | 11,480 |
| Interest paid | (1,855) | (4,110) | (4,074) | (7,371) |
| Tax | (1,425) | (13,156) | (240) | (11,378) |
| Net cash from operating activities | 11,063 | 57,234 | 11,867 | 17,651 |
| Cash flows from investing activities | | | | |
| Purchase of intangible assets | (314) | (40) | — | — |
| Purchase of property, plant and equipment | (779) | (38,647) | (153) | (114) |
| Purchase of investment property | (10,159) | (2,101) | — | — |
| Proceeds on disposal of property, plant and equipment | 3,844 | 7,445 | 8 | 60 |
| Proceeds on disposal of investment properties | 21,773 | 5,729 | — | — |
| Dividends received from subsidiaries | — | — | 11,439 | 9,216 |
| | 14,365 | (27,614) | 11,294 | 9,162 |
| Cash flows from financing activities | | | | |
| Dividends paid – ordinary shares | (6,443) | (6,431) | (6,448) | (6,431) |
| – minorities | (1,775) | (1,514) | — | — |
| – preference | (21) | (21) | (21) | (21) |
| | (8,239) | (7,966) | (6,469) | (6,452) |
| Net increase in cash and cash equivalents | 17,189 | 21,654 | 16,692 | 20,361 |
| Opening net debt | (49,278) | (70,932) | (44,807) | (65,168) |
| Closing net debt | (32,089) | (49,278) | (28,115) | (44,807) |

Principal accounting policies

The principal Accounting Policies adopted in the preparation of the Group's IFRS Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

The prior year financial information has been restated to reflect the application of IFRIC 12 (see impact of standards on page 50).

CONSOLIDATION

The Group Financial Statements are a consolidation of the Financial Statements of the Parent Company and all its subsidiary undertakings made up to 31 December each year.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the Accounting Policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

GOING CONCERN

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Directors' Report on page 28.

GOODWILL

Goodwill arising on consolidation of subsidiary undertakings is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is subjected to an impairment test at the Statement of Financial Position date and any loss is recognised immediately through the Statement of Comprehensive Income and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which goodwill arose.

REVENUE RECOGNITION

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

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

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

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

Revenue from operating leases is recognised on a straight line basis over the lease term, except for contingent rental income which is recognised when it arises. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight line basis, as a reduction to revenue.

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

CONSTRUCTION CONTRACTS

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

Contract revenue is recognised in accordance with the stage of completion of the contract where the contract's outcome can be estimated reliably. The principal method used to recognise the stage of completion of a contract is an in-house survey of the work performed.

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

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

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

BUSINESS SEGMENTS

The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Board of Henry Boot PLC ('the Board').

Management has determined the operating segments based on the reports reviewed by the Board in making strategic decisions.

The Board considers the business based on the following operating segments:

- property 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.

All of the Group's business activities and operating segments are reported within the above segments.

INVESTMENT PROPERTY

Investment properties, which are properties held to earn rental income and for capital appreciation, are stated at fair value at the Statement of Financial Position date.

On completion, 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 Statement of Comprehensive Income. 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 UNDER CONSTRUCTION

Investment properties under construction are held at fair value unless a fair value cannot be reliably determined in which case it is accounted for at cost. Valuation movements on investment properties under construction are reflected in the Statement of Comprehensive Income.

PROPERTY, PLANT AND EQUIPMENT

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

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.

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 between 20% and 25%
- office equipment 25%

INTANGIBLE ASSETS EXCLUDING GOODWILL

The PFI asset represents the capitalised cost of the initial project, together with the capitalised cost of any additional major works to the road and structures, which are then amortised over 20 years or the remaining life of the concession.

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 Statement of Comprehensive Income.

Assets held under finance leases are capitalised in the Statement of Financial Position 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 Statement of Comprehensive Income 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.

Principal accounting policies *continued*

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 are carried at the lower of cost or estimated net realisable value and are 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 Statement of Financial Position 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 retirement scheme is determined using the Projected Unit Credit Method, with actuarial calculations being carried out at each Statement of Financial Position date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised within 'Other comprehensive income' within the Consolidated Statement of Comprehensive Income. The net periodic benefit cost comprising the employer share of the service cost and the interest cost, less the expected return on assets, is charged to the Statement of Comprehensive Income. The Group's net obligations in respect of the scheme are calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. This is then discounted to present value and the fair value of the scheme's assets is then deducted.

SHARE-BASED PAYMENTS

Equity-settled share-based payments are measured at fair value at the date of grant and are expensed on a straight line basis over the vesting period. Fair value is measured by a Monte Carlo pricing model.

SAYE share options are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

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 Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and items that may never be taxable or deductible.

The Group's liability for current taxation is calculated using tax rates that have been enacted or substantially enacted by the Statement of Financial Position 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 Statement of Financial Position 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. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and deferred tax liabilities are offset where the Group has a legally enforceable right to do so and when the deferred tax assets and liabilities relate to tax levied by the same tax authority where there is an intention to settle the balances on a net basis.

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 in the Statement of Financial Position only when the Group becomes a party to the contractual provisions of the instrument.

The principal financial instruments are:

- trade and other receivables which are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost using the effective interest rate method (see Interest Income and Expense on page 49). Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote;

- cash and cash equivalents which comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value with an original maturity of three months or less; and
- trade and other payables which are on normal credit terms, are not interest bearing and are stated at their nominal values. Where the time value of money is material, payables are carried at amortised cost using the effective interest rate method (see Interest Income and Expense on page 49).

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

DERIVATIVES AND HEDGING

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

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

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

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

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

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

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

INTEREST INCOME AND EXPENSE

Interest income and expense are recognised within 'Investment income' and 'Finance costs' in the Statement of Comprehensive Income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which from 1 January 2009 are capitalised as part of the cost of that asset. The Group has chosen not to capitalise borrowing costs on all qualifying assets which are measured at fair value.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Principal accounting policies continued

JUDGEMENTS AND KEY ASSUMPTIONS

The critical judgements in applying the Group's Accounting Policies and that have the most significant effect on the amounts recognised in the Financial Statements, apart from those involving estimations (see below), relate to revenue recognition, construction contracts and inventories. All of these are referred to on pages 46 and 48 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 Statement of Financial Position date, and that could have a material adjustment to the carrying amounts of assets and liabilities over the ensuing year, are retirement benefit costs, fair value, 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. The fair value of completed investment property is determined by independent valuation experts using the Yield Method valuation technique. In most cases the fair values are determined based on recent market transactions with similar characteristics and location to those of the Company's assets. The fair value of investment property under construction has been determined using the Residual Method by the Directors of the Company. 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 ACCOUNTING STANDARDS AND INTERPRETATIONS

At the date of authorisation of these Financial Statements, the following standards and interpretations to existing standards are mandatory for the first time for the accounting period ended 31 December 2009:

| | | |
|---------------------------------------|---|----------------|
| IFRIC 12 (Issued 2006) | 'Service Concession Arrangements' | 1 January 2008 |
| IFRIC 13 (Issued 2007) | 'Customer Loyalty Programmes' | 1 July 2008 |
| IFRIC 15 (Issued 2008) | 'Agreements for Construction of Real Estate' | 1 January 2009 |
| IFRS 7 (Amended) | 'Improving Disclosures about Financial Instruments' | 1 January 2009 |
| IFRS 8 (Issued 2006) | 'Operating Segments' | 1 January 2009 |
| IAS 1 (Revised) | 'Presentation of Financial Statements' | 1 January 2009 |
| IFRS 1 (Amended) and IAS 27 (Amended) | 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' | 1 January 2009 |
| IAS 23 (Revised) | 'Borrowing Costs' | 1 January 2009 |
| IAS 32 and IAS 1 (Amended) | 'Puttable Financial Instruments and Obligations Arising on Liquidation' | 1 January 2009 |
| IAS 39 (Amended) | 'Reclassification of Financial Assets: Effective Date and Transition' | 1 July 2008 |
| IAS 39 (Amended) and IFRS 7 (Amended) | 'Reclassification of Financial Instruments' | 1 July 2009 |
| IAS 40 (Amended) | 'Investment Property' | 1 January 2009 |

The adoption of these standards and interpretations has not had a significant impact on the Group. The principal effects of these changes are as follows:

Following the adoption of IFRIC 12 'Service Concession Arrangements', our PFI asset has been retrospectively reclassified as an intangible asset. The following restatements have been made:

- restatement of £11,528,000 from Property, plant and equipment to Intangible assets at 1 January 2008; and
- restatement of £10,483,000 from Property, plant and equipment to Intangible assets at 31 December 2008.

The restatements have no impact on the Statement of Comprehensive Income or Net Assets.

Following the adoption of IAS 40 (Amended) our Properties under construction, previously accounted for under IAS 16, have been prospectively reclassified as investment property and will be measured at fair value. The following adjustment has been made:

- transfer of £79,503,000 from Property, plant and equipment to Investment property at 1 January 2009.

The reclassification has no impact on the Statement of Comprehensive Income or Net Assets.

Following the adoption of IAS 23 (Revised) 'Borrowing Costs' the Group is now required to capitalise borrowing costs relating to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The revised standard is applied prospectively from 1 January 2009. The Group has chosen not to capitalise borrowing costs on all qualifying assets which are measured at fair value.

The Revision to IAS 1 'Presentation of Financial Statements' gives companies the option to continue presenting a 'traditional' Income Statement complemented by a second statement, the Statement of Comprehensive Income, or to present a single statement, also named 'Statement of Comprehensive Income', that includes both elements. The Group has taken the option of presenting a single statement. The revised standard also prohibits the presentation of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in the Statement of Comprehensive Income. As a result, the Group presents all non-owner changes in equity in the Statement of Comprehensive Income. This revision impacts presentation aspects only and has no impact on the Statement of Comprehensive Income or Net Assets.

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 14 (Amended 2009) | 'Prepayments of a Minimum Funding Requirement' | 1 January 2011* |
| IFRIC 9 and IAS 39 (Amended 2009) | 'Embedded Derivatives' | 30 June 2009 |
| IFRIC 16 (Issued 2008) | 'Hedges of a Net Investment in a Foreign Operation' | 30 June 2009 |
| IFRIC 17 (Issued 2008) | 'Distributions of Non-cash Assets to Owners' | 1 July 2009 |
| IFRIC 18 (Issued 2009) | 'Transfers of Assets from Customers' | 1 July 2009 |
| IFRIC 19 (Issued 2009) | 'Extinguishing Financial Liabilities with Equity Instruments' | 1 July 2010* |
| IAS 17 (Amended) | 'Leases' | 1 January 2010 |
| IAS 24 (Revised 2009) | 'Related Party Disclosures' | 1 January 2011* |
| IAS 27 (Revised 2008) | 'Consolidated and Separate Financial Statements' | 1 July 2009 |
| IAS 32 (Amended 2009) | 'Classification of Rights Issue' | 1 February 2010 |
| IAS 39 (Amended 2008) | 'Financial Instruments: Recognition and Measurement: Eligible Hedged Items' | 1 July 2009 |
| IFRS 1 (Amended 2010) | 'Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters' | 1 July 2010* |
| IFRS 1 (Amended 2008) | 'First-time Adoption of IFRS' | 1 July 2009 |
| IFRS 1 (Amended 2009) | 'Additional Exemptions for First-time Adopters' | 1 January 2010* |
| IFRS 2 (Amended 2009) | 'Group Cash-settled Share-based Payment Transactions' | 1 January 2010* |
| IFRS 3 (Revised 2008) | 'Business Combinations' | 1 July 2009 |
| IFRS 9 (Issued 2009) | 'Financial Instruments' | 1 January 2013* |

* Not yet endorsed by the EU.

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.

There are also a number of minor amendments to other standards which are part of the International Accounting Standards Board's annual improvements project issued on 16 April 2009. The improvements comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. No material changes to Accounting Policies are expected as a result of these amendments.

In 2009, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

Notes to the financial statements for the year ended 31 December 2009

1. REVENUE

Analysis of the Group's revenue is as follows:

| | 2009 £'000 | 2008 £'000 |
|---------------------------------------|----------------|---------------|
| Activity in the United Kingdom | | |
| Revenue from construction contracts | 58,895 | 75,990 |
| Property development | 18,231 | 12,201 |
| Land development | 10,089 | 74,594 |
| PFI concession income | 10,885 | 10,950 |
| Plant and equipment hire | 8,175 | 10,709 |
| Investment property rental income | 10,154 | 8,592 |
| Other rental income | 95 | 643 |
| | 116,524 | 193,679 |
| Other income | 29 | 31 |
| | 116,553 | 193,710 |

Contingent rents recognised as income during the year amount to £14,000 (2008: £Nil).

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

| | 2009 | | | 2008 | | |
|-------------------------------------|----------------------------|-------------------------------------|----------------|----------------------------|-------------------------------------|----------------|
| | External sales £'000 | Inter- segment sales £'000 | Total £'000 | External sales £'000 | Inter- segment sales £'000 | Total £'000 |
| Revenue | | | | | | |
| Property investment and development | 28,386 | 309 | 28,695 | 21,338 | 346 | 21,684 |
| Land development | 10,183 | — | 10,183 | 74,692 | 140 | 74,832 |
| Construction | 77,955 | 6,982 | 84,937 | 97,649 | 2,459 | 100,108 |
| Group overheads and other | — | 574 | 574 | — | 628 | 628 |
| | 116,524 | 7,865 | 124,389 | 193,679 | 3,573 | 197,252 |
| Eliminations | — | (7,865) | (7,865) | — | (3,573) | (3,573) |
| | 116,524 | — | 116,524 | 193,679 | — | 193,679 |

| | 2009 £'000 | 2008 £'000 |
|-------------------------------------|---------------|---------------|
| Result | | |
| Property investment and development | (16,317) | (17,345) |
| Land development | (3,149) | 35,478 |
| Construction | 16,847 | 9,388 |
| Group overheads and other | (7,460) | (5,460) |
| Segment result | (10,079) | 22,061 |
| Eliminations | 35 | 54 |
| Operating (loss) profit | (10,044) | 22,115 |
| Investment income | 803 | 585 |
| Finance costs | (2,651) | (3,427) |
| (Loss) profit before tax | (11,892) | 19,273 |
| Tax | 5,926 | (3,671) |
| (Loss) profit for the year | (5,966) | 15,602 |

| | Capital additions 2009 £'000 | Depreciation 2009 £'000 | Impairment losses 2009 £'000 | Capital additions 2008 £'000 | Depreciation 2008 £'000 | Impairment losses 2008 £'000 |
|-------------------------------------|---------------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-------------------------------|---------------------------------------|
| Other information | | | | | | |
| Property investment and development | 10,192 | 62 | 106 | 36,280 | 65 | 2,812 |
| Land development | 6 | 66 | — | 188 | 57 | — |
| Construction | 867 | 2,729 | — | 4,503 | 4,324 | 50 |
| Group overheads and other | 187 | 470 | — | 797 | 621 | — |
| | 11,252 | 3,327 | 106 | 41,768 | 5,067 | 2,862 |

2. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

| | 2009 £'000 | 2008 £'000 |
|-------------------------------------|----------------|---------------|
| Segment assets | | |
| Property investment and development | 196,015 | 233,072 |
| Land development | 58,030 | 64,196 |
| Construction | 29,456 | 32,988 |
| Group overheads and other | 1,922 | 2,009 |
| | 285,423 | 332,265 |
| Unallocated assets | 15,437 | 9,586 |
| Total assets | 300,860 | 341,851 |
| Segment liabilities | | |
| Property investment and development | 6,172 | 6,621 |
| Land development | 11,451 | 14,420 |
| Construction | 37,844 | 45,912 |
| Group overheads and other | 4,243 | 3,242 |
| | 59,710 | 70,195 |
| Unallocated liabilities | 64,950 | 81,556 |
| Total liabilities | 124,660 | 151,751 |
| Total net assets | 176,200 | 190,100 |

The Group has adopted IFRS 8 'Operating Segments' requiring information to be presented in the same basis as it is reviewed internally. For the purpose of the Board making strategic decisions the Group is currently organised into four business segments: Property investment and development, Land development, Construction and Group overheads and other.

3. PROFIT FROM OPERATIONS

| | 2009 £'000 | 2008 £'000 |
|---|---------------|---------------|
| Depreciation of property, plant and equipment – owned assets | 3,327 | 3,982 |
| Impairment of goodwill included in administrative expenses | 203 | 204 |
| Amortisation of PFI asset included in cost of sales | 1,098 | 1,085 |
| Impairment losses on land and buildings | 106 | 50 |
| Impairment of properties under construction | — | 2,812 |
| Impairment loss recognised on trade receivables | 634 | 187 |
| Property rentals under operating leases | 267 | 299 |
| Decrease in fair value of investment property | 22,381 | 19,592 |
| Cost of inventories recognised as expense | 25,963 | 46,928 |
| Employee costs | 24,377 | 25,580 |
| Amounts payable to Deloitte LLP by Road Link (A69) Limited in respect of audit services | 9 | 8 |
| Profit on sale of property, plant and equipment | (1,516) | (354) |

The remuneration paid to Hawsons, the Group's external auditors, is as follows:

| | 2009 £'000 | 2008 £'000 |
|---|---------------|---------------|
| Fees payable for the audit of the Company's annual accounts and consolidated financial statements | 58 | 54 |
| Fees payable for the audit of the Company's subsidiaries pursuant to legislation | 117 | 119 |
| Total audit fees | 175 | 173 |
| Tax services | 94 | 119 |
| Other services | 11 | 10 |
| Total non-audit fees | 105 | 129 |
| Total fees | 280 | 302 |

In addition, fees of £11,775 (2008: £11,975) were paid to the auditors in respect of the Henry Boot Staff Pension and Life Assurance Scheme.

Notes to the financial statements *continued*
for the year ended 31 December 2009**4. EMPLOYEE COSTS**

| | 2009 £'000 | 2008 £'000 |
|---|-----------------------------|---------------|
| Wages and salaries | 17,675 | 21,002 |
| Share-based payment expense | 799 | 862 |
| Social security costs | 2,001 | 2,367 |
| Defined benefit pension costs (see note 24) | 3,336 | 1,900 |
| Other pension costs | 275 | 311 |
| | 24,086 | 26,442 |

The defined benefit pension costs represent pension expenses of £2,686,000 and additional contributions paid by the Company during the year amounting to £650,000.

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

| | 2009 Number | 2008 Number |
|-------------------------------------|------------------------------|----------------|
| Property investment and development | 27 | 32 |
| Land development | 29 | 28 |
| Construction | 393 | 409 |
| Plant hire | 113 | 124 |
| Group overheads and other | 47 | 47 |
| | 609 | 640 |

5. INVESTMENT INCOME

| | 2009 £'000 | 2008 £'000 |
|--|-----------------------------|---------------|
| Interest on bank deposits and similar interest | 803 | 585 |

6. FINANCE COSTS

| | 2009 £'000 | 2008 £'000 |
|---|-----------------------------|---------------|
| Interest on bank overdrafts, loans and similar interest | 2,651 | 3,427 |

7. TAX

| | 2009 £'000 | 2008 £'000 |
|---|-----------------------------|---------------|
| Current tax: | | |
| UK corporation tax on profits for the year | 1,320 | 12,494 |
| Adjustment in respect of earlier years | (266) | (7,939) |
| Deferred tax | (6,980) | (884) |
| Tax on (loss) profit on ordinary activities | (5,926) | 3,671 |

7. TAX CONTINUED

Corporation tax is calculated at 28% (2008: 28.5%) of the estimated assessable (loss) 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 (credit) charge for the year can be reconciled to the (loss) profit per the Statement of Comprehensive Income as follows:

| | 2009 £'000 | 2008 £'000 |
|--|-------------------|-------------------|
| (Loss) profit before tax | (11,892) | 19,273 |
| | 2009 % | 2008 % |
| Tax at the UK corporation tax rate | 28.00 | 28.50 |
| Effects of: | | |
| Short-term timing differences | (0.38) | (3.93) |
| Expenses not deductible for tax purposes | 19.77 | 37.52 |
| Adjustment in respect of earlier years | 2.24 | (41.19) |
| Capital gains | 0.20 | (1.79) |
| Deferred tax rate change | — | (0.06) |
| | 49.83 | 19.05 |

8. RESULTS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these Financial Statements. The loss dealt with in the Financial Statements, excluding dividends received from subsidiaries of £11,439,000 (2008: £9,216,000), of the Parent Company is £21,416,000 (2008: loss £6,877,000).

9. EARNINGS PER ORDINARY SHARE

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

| | 2009 £'000 | 2008 £'000 |
|--|--------------------|---------------|
| Earnings | | |
| (Loss) profit for the year | (5,966) | 15,602 |
| Minority interests | (1,423) | (1,741) |
| Preference dividend | (21) | (21) |
| | (7,410) | 13,840 |
| Number of shares | 2009 | 2008 |
| Shares in issue | 130,244,385 | 130,244,385 |
| Less shares held by the ESOP on which dividends have been waived | (1,275,922) | (1,621,007) |
| Weighted average number for basic earnings per share | 128,968,463 | 128,623,378 |
| Adjustment for the effects of dilutive potential ordinary shares | — | 1,741,189 |
| Weighted average number for diluted earnings per share | 128,968,463 | 130,364,567 |

As the Group has made a loss for the year there is no dilutive effect of outstanding share options.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these Financial Statements.

Notes to the financial statements continued
for the year ended 31 December 2009**10. DIVIDENDS**

| | 2009 | 2008 |
|---|--------------|-------|
| | £'000 | £'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 2008 of 3.75p per share (2007: 3.75p) | 4,831 | 4,823 |
| Interim dividend for the year ended 31 December 2009 of 1.25p per share (2008: 1.25p) | 1,612 | 1,608 |
| | 6,464 | 6,452 |

A second interim dividend for the year ended 31 December 2009 of 1.25p per share is to be paid on 31 March 2010.

The total estimated amount of the second interim dividend is £1,612,000 which has not been included as a liability in these Financial Statements.

The Directors do not propose a final dividend for the year ended 31 December 2009 (2008: 3.75p), thus making a total dividend for the year of 2.5p (2008: 5.0p).

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. INTANGIBLE ASSETS

| | Goodwill | PFI | Total |
|---|--------------|---------------|---------------|
| | £'000 | asset | £'000 |
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1 January 2008 | 4,070 | 15,054 | 19,124 |
| Additions at cost | — | 40 | 40 |
| At 1 January 2009 | 4,070 | 15,094 | 19,164 |
| Additions at cost | — | 314 | 314 |
| At 31 December 2009 | 4,070 | 15,408 | 19,478 |
| Accumulated impairment losses and amortisation | | | |
| At 1 January 2008 | 678 | 3,526 | 4,204 |
| Amortisation | — | 1,085 | 1,085 |
| Impairment losses for the year | 204 | — | 204 |
| At 1 January 2009 | 882 | 4,611 | 5,493 |
| Amortisation | — | 1,098 | 1,098 |
| Impairment losses for the year | 203 | — | 203 |
| At 31 December 2009 | 1,085 | 5,709 | 6,794 |
| Carrying amount | | | |
| At 31 December 2009 | 2,985 | 9,699 | 12,684 |
| At 1 January 2009 | 3,188 | 10,483 | 13,671 |
| At 1 January 2008 | 3,392 | 11,528 | 14,920 |

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 Statement of Financial Position 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 lasts for a period of 30 years and has a further 16 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 2006 Section 390(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.

Costs incurred on the PFI road and its structures are amortised over their estimated useful lives, being the lower of 20 years or the remaining period of the contract.

At 31 December 2009, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to £29,000 (2008: £39,000).

12. PROPERTY, PLANT AND EQUIPMENT

| Group | Land and buildings £'000 | Properties under construction £'000 | Plant and vehicles £'000 | Office equipment £'000 | Total £'000 |
|------------------------------------|-----------------------------|--|-----------------------------|---------------------------|----------------|
| Cost or fair value | | | | | |
| At 1 January 2008 | 9,783 | 122,595 | 28,988 | 1,686 | 163,052 |
| Additions at cost | — | 33,143 | 5,325 | 179 | 38,647 |
| 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 | 30,146 | 1,788 | 123,506 |
| Additions at cost | — | — | 609 | 170 | 779 |
| Transferred to investment property | — | (82,315) | — | — | (82,315) |
| Disposals | (1,850) | — | (4,438) | (373) | (6,661) |
| Decrease in fair value in year | (44) | — | — | — | (44) |
| At 31 December 2009 | 7,363 | — | 26,317 | 1,585 | 35,265 |
| Being: | | | | | |
| Cost | — | — | 26,317 | 1,585 | 27,902 |
| Fair value at 31 December 2009 | 7,363 | — | — | — | 7,363 |
| | 7,363 | — | 26,317 | 1,585 | 35,265 |
| Accumulated depreciation | | | | | |
| At 1 January 2008 | 193 | — | 18,216 | 1,234 | 19,643 |
| Charge for year | — | — | 3,743 | 239 | 3,982 |
| 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 | 18,358 | 1,397 | 22,774 |
| Charge for year | — | — | 3,121 | 206 | 3,327 |
| Impairment loss | 106 | — | — | — | 106 |
| Eliminated on disposals | — | — | (3,960) | (373) | (4,333) |
| Transferred to investment property | — | (2,812) | — | — | (2,812) |
| At 31 December 2009 | 313 | — | 17,519 | 1,230 | 19,062 |
| Carrying amount | | | | | |
| At 31 December 2009 | 7,050 | — | 8,798 | 355 | 16,203 |
| At 31 December 2008 | 9,050 | 79,503 | 11,788 | 391 | 100,732 |
| At 1 January 2008 | 9,590 | 122,595 | 10,772 | 452 | 143,409 |

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 £6,950,000.

The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the Yield Method valuation technique.

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 £3,227,000 (2008: £3,674,000).

Following the IASB's annual improvements project for accounting periods beginning on or after 1 January 2009, 'Properties under construction' have been reclassified as 'Investment properties' with effect from 1 January 2009. There is no impact on previously reported figures in respect of this change as prior year comparatives are not required to be restated.

Following the EU endorsement of IFRIC 12 'Service Concession Arrangements' the PFI asset of the Group has been retrospectively reclassified as an 'Intangible asset'.

At 31 December 2009, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £Nil (2008: £6,971,000).

Notes to the financial statements continued
for the year ended 31 December 2009**12. PROPERTY, PLANT AND EQUIPMENT** CONTINUED

| | Plant and vehicles £'000 | Office equipment £'000 | Total £'000 |
|----------------------------|-----------------------------------|------------------------------|----------------|
| Parent Company | | | |
| Cost | | | |
| At 1 January 2008 | 207 | 685 | 892 |
| Additions | 24 | 90 | 114 |
| Disposals | (158) | (10) | (168) |
| At 31 December 2008 | 73 | 765 | 838 |
| Additions | 68 | 85 | 153 |
| Disposals | (25) | (173) | (198) |
| At 31 December 2009 | 116 | 677 | 793 |
| Depreciation | | | |
| At 1 January 2008 | 106 | 448 | 554 |
| Charge for year | 26 | 104 | 130 |
| Disposals | (98) | (10) | (108) |
| At 31 December 2008 | 34 | 542 | 576 |
| Charge for year | 17 | 116 | 133 |
| Disposals | (20) | (170) | (190) |
| At 31 December 2009 | 31 | 488 | 519 |
| Net book value | | | |
| At 31 December 2009 | 85 | 189 | 274 |
| At 31 December 2008 | 39 | 223 | 262 |
| At 1 January 2008 | 101 | 237 | 338 |

13. INVESTMENT PROPERTY

| | Completed investment property £'000 | Investment property under construction £'000 | Total £'000 |
|--|--|--|----------------|
| Fair value | | | |
| At 1 January 2008 | 81,458 | — | 81,458 |
| Additions | 2,101 | — | 2,101 |
| Disposals | (5,229) | — | (5,229) |
| Transfers from properties under construction | 67,879 | — | 67,879 |
| Transfers to inventories | (338) | — | (338) |
| Decrease in fair value in year | (19,592) | — | (19,592) |
| At 31 December 2008 | 126,279 | — | 126,279 |
| Additions | 490 | 9,669 | 10,159 |
| Disposals | (9,864) | (11,031) | (20,895) |
| Transfers from properties under construction | 2,500 | 77,003 | 79,503 |
| Transfers to inventories | (375) | — | (375) |
| Decrease in fair value in year | (20,627) | (1,754) | (22,381) |
| Transfers within investment property | 22,902 | (22,902) | — |
| At 31 December 2009 | 121,305 | 50,985 | 172,290 |
| Adjustment in respect of tenant incentives | 10,930 | — | 10,930 |
| Adjustment in respect of tax benefits | (2,377) | — | (2,377) |
| Market value at 31 December 2009 | 129,858 | 50,985 | 180,843 |

13. INVESTMENT PROPERTY CONTINUED

With the exception of houses, completed 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 £124,335,000. The fair value of houses has been determined by D Greaves, a Director of the Company, at £5,523,000.

The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the Yield Method valuation technique.

Investment property under construction is developments which have been valued at fair value by D Greaves, a Director of the Company, at £50,985,000. The valuation of investment property under construction has been determined using the Residual Method by the Directors of the Company.

The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £10,154,000 (2008: £7,854,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £3,780,000 (2008: £1,098,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £215,000 (2008: £Nil).

At 31 December 2009, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £Nil (2008: £Nil).

14. INVESTMENTS

| | 2009 £'000 | 2008 £'000 |
|-----------------------------|---------------|---------------|
| Parent Company | | |
| Subsidiary companies | | |
| At 1 January | 21,974 | 3,037 |
| Additions | — | 25,000 |
| Disposals | — | (16) |
| Provisions for losses | (18,112) | (6,047) |
| At 31 December | 3,862 | 21,974 |

The original cost of shares included above is £26,621,000 (2008: £26,621,000). 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.

Amounts due from and to 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

| | 2009 £'000 | 2008 £'000 |
|-----------------------|---------------|---------------|
| Group | | |
| At 1 January | 764 | 1,033 |
| Additions | — | — |
| Disposals | (162) | (269) |
| At 31 December | 602 | 764 |

Quoted investments represent own shares held by the Henry Boot PLC Employee Trust as an ESOP to provide an incentive to greater ownership of shares in the Company by its employees. The Company has loaned £601,583 to the Trustee, interest free, which enabled it to purchase Henry Boot PLC ordinary shares.

At 31 December 2009, the trustee held 1,275,922 shares with a cost of £601,583 and a market value of £1,180,228. 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.

Notes to the financial statements continued
for the year ended 31 December 2009**15. TRADE AND OTHER RECEIVABLES**

| | Group | | Parent Company | |
|--|---------------|---------------|----------------|---------------|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Amounts due from construction contract customers | — | 188 | — | — |
| Trade receivables, pre-payments and accrued income | 28,814 | 32,385 | 728 | 414 |
| Amounts owed by Group undertakings | — | — | 189,388 | 227,797 |
| | 28,814 | 32,573 | 190,116 | 228,211 |
| Due within one year | 25,071 | 27,229 | 190,116 | 228,211 |
| Due after more than one year | 3,743 | 5,344 | — | — |
| | 28,814 | 32,573 | 190,116 | 228,211 |

Included in the Group's trade receivable balance are debtors with a carrying amount of £1.9m (2008: £3.1m) 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

| | 2009 £'000 | 2008 £'000 |
|-------------|---------------|---------------|
| 30–60 days | 1,156 | 1,441 |
| 60–90 days | 321 | 863 |
| 90–120 days | 101 | 102 |
| 120+ days | 291 | 646 |
| | 1,869 | 3,052 |

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL RECEIVABLES

| | 2009 £'000 | 2008 £'000 |
|--------------------------------------|---------------|---------------|
| At 1 January | 319 | 200 |
| Impairment losses recognised | 634 | 187 |
| Amounts written off as uncollectable | (132) | (56) |
| Amounts recovered during the year | (112) | (12) |
| At 31 December | 709 | 319 |

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

| | 2009 £'000 | 2008 £'000 |
|-------------|---------------|---------------|
| 0–30 days | 1 | 5 |
| 30–60 days | — | 11 |
| 60–90 days | — | 17 |
| 90–120 days | 1 | 15 |
| 120+ days | 707 | 271 |
| | 709 | 319 |

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

PARENT COMPANY

Amounts owed by Group undertakings are unsecured and are stated net of provisions for irrecoverable amounts of £37,215,000, of which £1,363,000 has been provided in the year, £42,000 has been released in the year and £Nil has been recovered in the year.

The Parent Company has no impaired trade receivables.

15. TRADE AND OTHER RECEIVABLES CONTINUED

CREDIT RISK

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and 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 assets and deferred tax liabilities are offset where the Group has a legally enforceable right to do so and when the deferred tax assets and liabilities relate to tax levied by the same tax authority where there is an intention to settle the balances on a net basis. The amounts after offsetting are as follows:

DEFERRED TAX ASSET

| Group | Accelerated capital allowances £'000 | Property revaluations £'000 | Employee benefits £'000 | Other timing differences £'000 | Total £'000 |
|----------------------------|---|--------------------------------|----------------------------|-----------------------------------|----------------|
| At 1 January 2008 | 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 |
| Recognised in income | (168) | 3,001 | 420 | 425 | 3,678 |
| Recognised in equity | — | — | 447 | — | 447 |
| At 31 December 2009 | — | 3,001 | 7,205 | 925 | 11,131 |

Parent Company

| | | | | | |
|----------------------------|-----------|----------|--------------|------------|--------------|
| At 1 January 2008 | 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 |
| Recognised in income | (8) | — | 420 | 417 | 829 |
| Recognised in equity | — | — | 447 | — | 447 |
| At 31 December 2009 | 14 | — | 7,205 | 617 | 7,836 |

DEFERRED TAX LIABILITY

| Group | Accelerated capital allowances £'000 | Property revaluations £'000 | Total £'000 |
|----------------------------|---|--------------------------------|----------------|
| At 1 January 2008 | — | (6,523) | (6,523) |
| Recognised in income | — | 2,638 | 2,638 |
| Recognised in equity | — | 107 | 107 |
| At 31 December 2008 | — | (3,778) | (3,778) |
| Recognised in income | (5) | 3,307 | 3,302 |
| Recognised in equity | — | 471 | 471 |
| At 31 December 2009 | (5) | — | (5) |

There are no other significant unrecognised deferred tax assets and liabilities.

Notes to the financial statements continued
for the year ended 31 December 2009**17. INVENTORIES**

| Group | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| Developments in progress | 4,101 | 5,103 |
| Land, options and agency agreements held for development | 51,332 | 53,908 |
| | 55,433 | 59,011 |

Within land, options and agency agreements held for development £6,081,000 (2008: £1,771,000) has been written-down and recognised as an expense in the year.

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

Previous write-downs amounting to £1,497,000 (2008: £520,000) 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.

18. CONSTRUCTION CONTRACTS

| | 2009 £'000 | 2008 £'000 |
|--|-----------------|---------------|
| Contracts in progress at 31 December: | | |
| Amounts due from contract customers included in trade and other receivables | — | 188 |
| Amounts due to contract customers included in trade, other payables and provisions | (17,759) | (17,736) |
| | (17,759) | (17,548) |
| Contract costs incurred plus recognised profits less recognised losses to date | 256,756 | 265,526 |
| Less: progress billings | (274,515) | (283,074) |
| | (17,759) | (17,548) |

At 31 December 2009, retentions held by customers for contract work amounted to £696,000 (2008: £481,000). Advances received from customers for contract work amounted to £17,759,000 (2008: £17,736,000).

At 31 December 2009, amounts of £Nil (2008: £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 | |
|---|---------------|---------------|----------------|---------------|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Trade payables, accruals and deferred expenditure | 55,705 | 59,118 | 2,050 | 2,069 |
| Amounts owed to Group undertakings | — | — | 104,638 | 128,989 |
| | 55,705 | 59,118 | 106,688 | 131,058 |
| Due within one year | 51,971 | 51,885 | 106,688 | 131,058 |
| Due after more than one year | 3,734 | 7,233 | — | — |
| | 55,705 | 59,118 | 106,688 | 131,058 |

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.

20. CAPITAL RISK MANAGEMENT CONTINUED

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 2009 this was £32.1m (2008: £49.3m). Equity comprises all components of equity and at 31 December 2009 this was £176.2m (2008: £190.1m).

During 2009 the Group's strategy, which was unchanged from 2008, was to maintain the debt to equity ratio below 50%. This level was chosen to ensure that we can access debt relatively easily and inexpensively if required.

We have in place 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 from the unsecured facilities we previously worked with, is more appropriate in the current economic environment. The facilities become due for renewal on 7 May 2012.

21. BORROWINGS

| | Group | | Parent Company | |
|-----------------|---------------|---------------|----------------|---------------|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| Bank overdrafts | — | 824 | — | 1,428 |
| Bank loans | 36,394 | 51,033 | 30,000 | 43,477 |
| | 36,394 | 51,857 | 30,000 | 44,905 |

The borrowings are repayable, including future interest, as follows:

| | | | | |
|---------------------------------------|---------------|--------|---------------|--------|
| On demand or within one year | 31,617 | 46,003 | 30,000 | 44,905 |
| In the second year | 1,529 | 1,616 | — | — |
| In the third to fifth years inclusive | 4,072 | 4,331 | — | — |
| After five years | 603 | 1,874 | — | — |
| | 37,821 | 53,824 | 30,000 | 44,905 |
| Due within one year | 31,617 | 46,003 | 30,000 | 44,905 |
| Due after one year | 6,204 | 7,821 | — | — |
| | 37,821 | 53,824 | 30,000 | 44,905 |

The weighted average interest rates paid were as follows:

| | 2009 % | 2008 % |
|--|-------------|-----------|
| Bank overdrafts | 3.90 | 5.59 |
| Bank loans – floating rate | 2.72 | 5.54 |
| Bank loans – floating rate (relating to Road Link (A69) Limited) | 3.62 | 6.97 |

A bank loan of £6,394,000, relating to Road Link (A69) Limited, is arranged at an effective floating interest rate of LIBOR plus 0.8%. The loan is fully hedged (see note 22), giving rise to an effective fixed interest rate of 7.37%. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Based on approximate average borrowings during 2009, a 1% change in interest rates would affect profitability before tax by £378,000.

The fair value of the Group's borrowings is 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. These borrowings are secured by a fixed and floating charge over the assets of the Group excluding those of Road Link (A69) Limited. 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.

At 31 December 2009, the Group had available £48,771,000 (2008: £Nil) undrawn committed borrowing facilities and £Nil (2008: £35,393,000) undrawn uncommitted borrowing facilities.

Bank overdrafts are repayable on demand.

Notes to the financial statements continued
for the year ended 31 December 2009**22. DERIVATIVE FINANCIAL INSTRUMENTS****INTEREST RATE SWAP – CASH FLOW HEDGE**

At 31 December 2009, an interest rate swap transaction was in place covering a bank loan of £6,394,000 (2008: £7,556,000) whereby the Group's subsidiary, Road Link (A69) Limited, pays a fixed rate of interest of 6.57% and receives a variable rate based on LIBOR. Interest is payable or receivable, as appropriate, semi-annually. The swap is used to hedge the exposure to the variable interest rate payments on the variable rate secured loan of the subsidiary (note 21).

The loan and interest rate swap have the same critical terms, are fully effective and have a termination date of 31 March 2015.

The fair value of the interest rate swap arrangement at 31 December 2009 was a liability of £727,000 (2008: £792,000) giving rise to a hedge reserve deducted from other reserves.

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of the fair values of financial instruments recognised in the Statement of Financial Position by the degree to which the fair value is observable:

| | 2009 £'000 | 2008 £'000 |
|-----------------------------------|---------------|---------------|
| Derivative financial liabilities: | | |
| Level 1 | — | — |
| Level 2 | 727 | 792 |
| Level 3 | — | — |
| Total fair value | 727 | 792 |

Explanation of the fair value hierarchy:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – fair value measurements are those derived from the use of a model with inputs (other than quoted prices included in Level 1) that are observable from directly or indirectly observable market data; and
- Level 3 – fair value measurements are those derived from use of a model with inputs that are not based on observable market data.

23. PROVISIONS FOR LIABILITIES AND CHARGES

| Group | Road maintenance £'000 | Bonds and guarantees £'000 | Other £'000 | Total £'000 |
|-------------------------------------|------------------------------|----------------------------------|----------------|----------------|
| At 1 January 2009 | | | | |
| Included in current liabilities | 633 | 124 | 10,300 | 11,057 |
| Included in non-current liabilities | — | — | 20 | 20 |
| Additional provisions in year | 633 | 124 | 10,320 | 11,077 |
| Utilisation of provisions | (812) | — | (1,125) | (1,937) |
| Non-utilisation of provisions | — | — | (8,175) | (8,175) |
| At 31 December 2009 | 660 | 124 | 3,220 | 4,004 |
| Included in current liabilities | 660 | 124 | 3,220 | 4,004 |
| Included in non-current liabilities | — | — | — | — |
| | 660 | 124 | 3,220 | 4,004 |

| Parent Company | Bonds and guarantees £'000 | Other £'000 | Total £'000 |
|-------------------------------|----------------------------------|----------------|----------------|
| At 1 January 2009 | 124 | — | 124 |
| Additional provisions in year | — | 1,000 | 1,000 |
| At 31 December 2009 | 124 | 1,000 | 1,124 |

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.

23. PROVISIONS FOR LIABILITIES AND CHARGES CONTINUED

Other provisions at 31 December 2009 include £1.1m in connection with contract liabilities resulting from warranties, which end in late 2010, given on work already completed, £1.2m in connection with a legal case by tenants in one of our investment properties, the outcome of which should be concluded in 2010 and £1.0m for liabilities arising on an enhanced benefits pension buyout exercise. The non-utilisation of £8,175,000 in other provisions relates to the release of amounts provided to cover regulatory penalties and legal costs arising from the investigation by the Office of Fair Trading into cover pricing. The penalty and legal costs amounted to £1,125,000 and are represented by the utilisation of provisions during the year. The original provision was £10,000,000 of which £9,300,000 was brought forward in the current year, with £700,000 having been utilised in prior years for legal costs incurred.

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 Aviva 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 £158,000 (2008: £147,000) 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 2009 and then recalculated based on the following assumptions:

| | 2009 % | 2008 % |
|---|-----------|-----------|
| Rate of inflation | 2.75 | 3.00 |
| Rate of general increases in salaries | 2.75 | 4.00 |
| Rate in increase to pensions in payment liable for Limited Price Indexation (LPI) | 2.65 | 2.90 |
| Revaluation of deferred pensions | 2.75 | 3.00 |
| Liabilities discount rate | 5.75 | 6.50 |
| Expected rate of return on scheme assets | 6.17 | 5.70 |

The overall expected rate of return is determined as follows:

- the assumption for return on equities of 7.45% is based upon gilt yields of 4.61% (commonly adopted as a 'risk-free rate') prevailing at the measurement date plus an equity risk premium of 2.84%;
- 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.

| | 2009 Years | 2008 Years |
|------------------------------|---------------|---------------|
| Mortality assumptions | | |
| 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.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Assumption | Change in assumption | Impact on scheme liabilities |
|--|----------------------|------------------------------|
| Rate of inflation | Increase by 0.25% | Increase by 5.2% |
| Rate of general increases in salaries | Increase by 0.25% | Increase by 1.1% |
| Rate in increase to pensions in payment liable for LPI | Increase by 0.25% | Increase by 2.8% |
| Revaluation of deferred pensions | Increase by 0.25% | Increase by 5.2% |
| Liabilities discount rate | Decrease by 0.25% | Increase by 5.4% |
| Expected rate of return on scheme assets | Increase by 0.25% | Decrease by 0.2% |
| Rate of mortality | Increase by 1 year | Increase by 2.4% |

Notes to the financial statements *continued*
for the year ended 31 December 2009**24. EMPLOYEE BENEFITS CONTINUED**
DEFINED BENEFIT PENSION SCHEME CONTINUED

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

| | 2009 £'000 | 2008 £'000 |
|----------------------------------|----------------|----------------|
| Current service cost | (822) | (1,295) |
| Interest cost | (8,043) | (8,430) |
| Expected return on scheme assets | 5,619 | 7,825 |
| Past service cost | — | — |
| Pension protection fund | (90) | (85) |
| Pension expenses | (3,336) | (1,985) |

Actuarial losses have been reported in other comprehensive income of £1,595,000 (2008: losses £182,000).

The cumulative amount of actuarial gains recognised in other comprehensive income since the date of transition to IFRS is £3,264,000 (2008: £4,859,000).

The actual gain on scheme assets was £12,239,000 (2009: loss £16,319,000).

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

| | 2009 £'000 | 2008 £'000 |
|-------------------------------------|---------------|---------------|
| Present value of scheme obligations | 137,830 | 125,851 |
| Fair value of scheme assets | 112,098 | 103,215 |
| | 25,732 | 22,636 |

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

| | 2009 £'000 | 2008 £'000 |
|-------------------------|---------------|---------------|
| Current liabilities | — | — |
| Non-current liabilities | 25,732 | 22,636 |
| | 25,732 | 22,636 |

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

| | 2009 £'000 | 2008 £'000 |
|-----------------------------------|----------------|----------------|
| At 1 January | 125,851 | 144,260 |
| Service cost | 822 | 1,295 |
| Interest cost | 8,043 | 8,430 |
| Contributions from scheme members | 396 | 410 |
| Actuarial loss (gain) | 8,242 | (24,027) |
| Past service cost | — | — |
| Benefits paid | (5,524) | (4,517) |
| At 31 December | 137,830 | 125,851 |

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

| | 2009 £'000 | 2008 £'000 |
|-----------------------------------|----------------|----------------|
| At 1 January | 103,215 | 121,806 |
| Expected return on scheme assets | 5,619 | 7,825 |
| Actuarial gain (loss) | 6,620 | (24,144) |
| Employer contributions | 1,772 | 1,835 |
| Contributions from scheme members | 396 | 410 |
| Benefits paid | (5,524) | (4,517) |
| At 31 December | 112,098 | 103,215 |

24. EMPLOYEE BENEFITS CONTINUED
DEFINED BENEFIT PENSION SCHEME CONTINUED

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

| | Rate of return | | Market value | |
|----------|----------------|-----------|----------------|---------------|
| | 2009 % | 2008 % | 2009 £'000 | 2008 £'000 |
| Equities | 7.45 | 6.75 | 62,150 | 54,954 |
| Bonds | 4.61 | 4.52 | 49,514 | 47,750 |
| Cash | 0.50 | 2.00 | 434 | 511 |
| | | | 112,098 | 103,215 |

Included in equities are 2,250,000 (2008: 2,250,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £2,081,000 (2008: £1,305,000).

The history of experience adjustments is as follows:

| | 2009 £'000 | 2008 £'000 | 2007 £'000 | 2006 £'000 | 2005 £'000 |
|--|------------------|---------------|---------------|---------------|---------------|
| Present value of scheme obligations | (137,830) | (125,851) | (144,260) | (141,580) | (142,982) |
| Fair value of scheme assets | 112,098 | 103,215 | 121,806 | 115,767 | 106,183 |
| Deficit in the scheme | (25,732) | (22,636) | (22,454) | (25,813) | (36,799) |
| Experience adjustments on scheme liabilities | — | — | 1,853 | (2,935) | — |
| Percentage of scheme liabilities | — | — | 1% | (2%) | — |
| Experience adjustments on scheme assets | 6,620 | (24,144) | 18 | 4,783 | 14,045 |
| Percentage of scheme assets | 6% | 23% | — | 4% | 13% |

The estimated amount of total contributions expected to be paid to the scheme during the current financial year is £2,100,000, being £1,700,000 payable by the Group and £400,000 payable by scheme members.

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

25. OPERATING LEASES
THE GROUP AS LESSEE

| | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the year | 267 | 299 |

At 31 December 2009, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| Within one year | 195 | 191 |
| In the second to fifth years inclusive | 229 | 117 |
| After five years | — | 14 |
| | 424 | 322 |

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.

Notes to the financial statements continued
for the year ended 31 December 2009**25. OPERATING LEASES CONTINUED**
THE GROUP AS LESSOR

The Group has entered into commercial leases on its investment property portfolio which typically have lease terms between one and 25 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Ordinarily the lessee does not have an option to purchase the property at the expiry of the lease period and some leases contain options to break before the end of the lease term.

Future minimum rentals receivable under non-cancellable operating leases at 31 December are as follows:

| | 2009 £'000 | 2008 £'000 |
|--|-----------------------------|---------------|
| Within one year | 8,864 | 9,299 |
| In the second to fifth years inclusive | 33,351 | 38,013 |
| After five years | 84,584 | 94,889 |
| | 126,799 | 142,201 |

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 | 2009 £'000 | 2008 £'000 |
|-------------------------------|-----------------------------|---------------|
| Management charges receivable | 1,566 | 570 |
| Interest receivable | 7,953 | 11,424 |
| Interest payable | (2,739) | (4,490) |
| Rents payable | (169) | (192) |
| Recharge of expenses | 71 | 48 |

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 38 to 40.

| | 2009 £'000 | 2008 £'000 |
|---|-----------------------------|---------------|
| Short-term employee benefits | 1,210 | 1,333 |
| Employer's national insurance contributions | 172 | 219 |
| Share-based payments | 119 | 135 |
| | 1,501 | 1,687 |

27. SHARE CAPITAL

| | Authorised | | Allotted, issued and fully paid | |
|---|-----------------------------|---------------|------------------------------------|---------------|
| | 2009 £'000 | 2008 £'000 | 2009 £'000 | 2008 £'000 |
| 5.25% cumulative preference shares of £1 each | 400 | 400 | 400 | 400 |
| 130,244,385 ordinary shares of 10p each (2008: 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.

27. SHARE CAPITAL CONTINUED

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. These became exercisable for a six month period from 1 December 2009. 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. These become exercisable for a six month period from 1 December 2011. 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 2009 |
|---------------------|----------------------------|----------------|-------------------|---|
| November 2006 grant | 604,285 | 463,650 | 160 | 140,475 |
| October 2008 grant | 1,147,441 | 74,052 | — | 1,073,389 |

(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 38.

(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 38.

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

| | 2009 Number | 2008 Number |
|---|------------------|-------------|
| Provisional allocations of shares at 1 January | 1,932,274 | 1,508,904 |
| Lapses of provisional allocations of shares in year | (161,650) | — |
| Awards of shares in year | (345,085) | (570,045) |
| Provisional allocations of shares in year | 666,286 | 993,415 |
| Provisional allocations of shares at 31 December | 2,091,825 | 1,932,274 |

The weighted average share price at the date of exercise for share options exercised during the period was 79.6p (2008: 141.5p).

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 | 2.04% to 5.42% | 4.82% | 3.52% |
| Expected dividend yield | 2.61% to 4.70% | 2.92% | 2.61% |

The weighted average fair value of share options granted during the year was 73.1p (2008: 135.0p).

EXPENSE RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

| | 2009 £'000 | 2008 £'000 |
|---|------------|------------|
| The total expense recognised in the Statement of Comprehensive Income arising from share-based payment transactions | 799 | 862 |

The total expense recognised in the Statement of Comprehensive Income arose solely from equity-settled share-based payment transactions.

Notes to the financial statements *continued*
for the year ended 31 December 2009

28. RESERVES

| Group | Property revaluation £'000 | Retained earnings £'000 | Other | | | | Total other £'000 |
|--|----------------------------------|-------------------------------|--------------------------------|---------------------------|------------------|----------------|-------------------------|
| | | | Capital redemption £'000 | Share premium £'000 | Capital £'000 | Other £'000 | |
| At 1 January 2008 | 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 |
| Loss retained | — | (7,389) | — | — | — | — | — |
| Dividends paid | — | (6,464) | — | — | — | — | — |
| Movements in fair value of cash flow hedge | — | — | — | — | — | 40 | 40 |
| Decrease in fair value in year | (44) | — | — | — | — | — | — |
| Realised revaluation surplus | (1,045) | 1,776 | — | — | (260) | — | (260) |
| Arising on employee share schemes | — | 896 | — | — | (97) | — | (97) |
| Unrecognised actuarial loss | — | (1,595) | — | — | — | — | — |
| Deferred tax on actuarial loss | — | 447 | — | — | — | — | — |
| Transfer to capital reserve | — | (339) | — | — | 339 | — | 339 |
| At 31 December 2009 | 3,349 | 156,200 | 271 | 2,563 | 209 | (444) | 2,599 |

| Parent Company | Retained earnings £'000 | Capital redemption £'000 | Share premium £'000 | Other | | Total other £'000 |
|-------------------------------------|-------------------------------|--------------------------------|---------------------------|------------------|------------------------------------|-------------------------|
| | | | | Capital £'000 | Investment revaluation £'000 | |
| At 1 January 2008 | 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 |
| Loss retained | (21,416) | — | — | — | — | — |
| Dividends from subsidiaries | 11,439 | — | — | — | — | — |
| Dividends paid | (6,469) | — | — | — | — | — |
| Realised revaluation surplus | 774 | — | — | (774) | — | (774) |
| Unrecognised actuarial loss | (1,595) | — | — | — | — | — |
| Deferred tax on actuarial loss | 447 | — | — | — | — | — |
| Arising from employee share schemes | 646 | — | — | (97) | — | (97) |
| Transfer from capital reserve | 550 | — | — | (550) | — | (550) |
| At 31 December 2009 | 22,138 | 271 | 2,563 | 211 | 1,135 | 4,180 |

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 2009, 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 and investment |
| 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 1 April 2010 and authorised for issue.

Property valuers' report

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THE DIRECTORS

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

31 December 2009

Gentlemen

HENRY BOOT PLC
GROUP PROPERTY PORTFOLIO VALUATION – 31 DECEMBER 2009

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 31 December 2009. 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 2009 is:

| | |
|--------------|---------------------|
| Freehold | £125,520,000 |
| Leasehold | £5,765,000 |
| TOTAL | £131,285,000 |

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Henry Boot PLC, please forward this document and the accompanying form of proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Board of Henry Boot PLC considers all of the proposed resolutions to be in the best interests of shareholders as a whole and accordingly recommends that shareholders vote in favour of all the resolutions proposed.

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting (AGM) of Henry Boot PLC will be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Friday 28 May 2010, at 12 noon for the following purposes:

To consider and, if thought fit, pass the following resolutions, which will be proposed as to Resolutions 1, 2, 3, 4, 5, 6, 9, 10 and 11 as ordinary resolutions of the Company and as to Resolutions 7 and 8 as special resolutions of the Company.

RESOLUTION 1

To receive the Directors' Report and the Financial Statements for the year ended 31 December 2009.

RESOLUTION 2

To re-appoint J S Reis as a Director, who retires by rotation.

RESOLUTION 3

To re-appoint E J Boot as a Director, who retires by rotation.

RESOLUTION 4

To appoint PricewaterhouseCoopers LLP as auditors of the Company immediately following the conclusion of the meeting.

RESOLUTION 5

To authorise the Directors to fix the auditors' remuneration.

RESOLUTION 6

THAT pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £4,341,479, provided that (unless previously revoked, varied or renewed) this authority shall expire on 27 August 2011 or until the next AGM, whichever is the shorter, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under Section 80 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

RESOLUTION 7

THAT subject to the passing of Resolution 6 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 6 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
 - (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

- (b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £650,000,

and (unless previously revoked, varied or renewed) this power shall expire on 27 August 2011 or until the next AGM, whichever is the shorter, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Section 95 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Notice of annual general meeting *continued*

RESOLUTION 8

THAT pursuant to Section 701 of the Companies Act 2006, the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 10p each in the capital of the Company (ordinary shares) provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 11,055,000;
- (b) the minimum price (excluding expenses) which may be paid for an ordinary share is 10p;
- (c) the maximum price (excluding expenses) which may be paid for an ordinary share is not more than the higher of:
 - (i) an amount equal to 105% of 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; and
 - (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 27 August 2011; 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 9

THAT the Directors' Remuneration Report for the year ended 31 December 2009 as set out in the 2009 Annual Report and Financial Statements of the Company be and is hereby approved.

RESOLUTION 10

THAT the rules of The Henry Boot PLC 2010 Approved Company Share Option Plan ('the Approved Plan') as summarised on pages 28 to 30 of the 2009 Annual Report and Financial Statements and produced in draft to this meeting and for the purposes of identification, initialled by the Chairman, be hereby approved and adopted and the Directors be authorised to make such modifications to the Approved Plan as they may consider appropriate to take account of HM Revenue & Customs and best practice for the implementation of the Approved Plan and to adopt the Approved Plan as so modified and to do all such other acts and things as they may consider appropriate to implement the Approved Plan.

RESOLUTION 11

THAT the rules of The Henry Boot PLC 2010 Sharesave Plan ('the Sharesave Plan') as summarised on pages 28 to 30 of the 2009 Annual Report and Financial Statements and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be hereby approved and adopted and the Directors be authorised to make such modifications to the Sharesave Plan as they may consider appropriate to take account of HM Revenue & Customs and best practice for the implementation of the Sharesave Plan and to adopt the Sharesave Plan as so modified and to do all such other acts and things as they may consider appropriate to implement the Sharesave Plan.

By order of the Board

J T SUTCLIFFE

COMPANY SECRETARY

19 APRIL 2010

HENRY BOOT PLC

REGISTERED OFFICE:

BANNER CROSS HALL

ECCLESALL ROAD SOUTH

SHEFFIELD S11 9PD

REGISTERED IN ENGLAND NO. 160996

NOTES

1. Only holders of ordinary shares in the Company are entitled to attend and vote at the AGM.
2. The holders of preference shares in the Company are not entitled to attend and vote at the AGM.
3. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00pm on 26 May 2010 (or, if the meeting is adjourned, 6.00pm on the date which is two days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.
4. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

A shareholder 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 that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

A proxy may only be appointed in accordance with the procedures set out in notes 5 and 6 below and the notes to the proxy form. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

5. A form of proxy is enclosed with the notice issued to holders of ordinary shares. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by photocopying the proxy form. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.

To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Capita Registrars, 34 Beckenham Road, Beckenham, BR3 4TU no later than 12 noon on 26 May 2010 (or, if the meeting is adjourned to a time more than 48 hours after the time fixed for holding the original meeting, no later than 24 hours before the time of any such adjourned meeting).

6. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID:RA10) no later than 12 noon on 26 May 2010 (or, if the meeting is adjourned to a time more than 48 hours after the time fixed for the holding of the original meeting, no later than 24 hours before the time of any such adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.
8. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Companies Act 2006 ('Nominated Person'):
 - (a) the Nominated Person may have a right under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed, or to have someone else appointed, as a proxy for the meeting; or
 - (b) if the Nominated Person has no such right or does not wish to exercise such right, he/she may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in notes 4 to 6 above does not apply to a Nominated Person. The rights described in such notes can only be exercised by shareholders of the Company.

Notice of annual general meeting *continued*

NOTES CONTINUED

9. A shareholder or shareholders having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company (see note 15 below), or at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital, may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM of the Company in accordance with Section 527 of the Companies Act 2006.

Any such request must:

- (a) identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;
- (b) comply with the requirements set out in note 10 below; and
- (c) be received by the Company at least one week before the meeting.

Where the Company is required to publish such a statement on its website:

- (i) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;
- (ii) it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and
- (iii) the statement may be dealt with as part of the business of the meeting.

10. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 9:

- (a) may be made either:
 - (i) in hard copy, by sending it to the Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD; or
 - (ii) in electronic form, by sending it by e-mail to cosec@henryboot.co.uk. Please state 'Henry Boot PLC: AGM' in the subject line of the email;
- (b) must state the full name(s) and address(es) of the shareholder(s); and
- (c) where the request is made in hard copy form, it must be signed by the shareholder(s).

11. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with section 319A of the Companies Act 2006. The Company must answer any such question unless:

- (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;
- (b) the answer has already been given on a website in the form of an answer to a question; or
- (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

12. The following documents will be available for inspection during normal business hours at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends:

- (a) copy of the draft rules of the Approved Plan; and
- (b) copy of the draft rules of the Sharesave Plan.

13. The information required by Section 311A of the Companies Act 2006 to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at www.henryboot.co.uk.

14. Except as expressly provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:

- (a) telephone 0114 255 5444; or
- (b) e-mail to cosec@henryboot.co.uk.

No other methods of communication will be accepted.

15. The issued ordinary share capital of the Company as at 19 April 2010 was 130,244,385 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

Henry Boot

Further copies of the 2009 Annual Report and Financial Statements may be obtained from the Company Secretary.

HENRY BOOT PLC

Registered office:
Banner Cross Hall
Ecclesall Road South
Sheffield S11 9PD

Registered in England No. 160996

t: 0114 255 5444

f: 0114 258 5548

e: cosec@henryboot.co.uk

www.henryboot.co.uk